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ARGENTINE CLAIMS IN ANTARCTIC SEEN THREATENED BY BRAZIL

Buenos Aires CONVICCION in Spanish 11 Jul 79 p 12

[Article by Alfredo Becerra]

[Text] "Relations between Argentina and Brazil could suffer irreparable damage if the new government in Brasilia should heed voices urging expansion toward the Antarctic." This was the comment heard in Buenos Aires political circles yesterday when it was learned that certain private groups in that country were once again proposing a Brazilian expedition to the sixth continent (see ANSA dispatch on this page).

Carefully probing reactions to such information, some of which was published in CONVICCION a few weeks ago, one reporter with long experience in covering Brazilian and Antarctic affairs painted the following picture:

This is not the first time that private groups in Brazil have proposed an expedition to Antarctica, but this is now happening at a time when ostensible efforts are being made to establish a climate of harmony and cooperation, a climate that is all the more necessary when, it is thought in Buenos Aires, the events in Nicaragua emphasize the urgency of continental solidarity.

It is thought that the prolonged and extremely negotiations on the Plata (River) Basin concerning binational hydroelectric projects on the Parana and Uruguay rivers have not yet recovered sufficiently to withstand a blow as harsh as a Brazilian Antarctic expedition.

It is also thought that this would be a blow struck at the deepest and most delicate area of Latin American brotherhood, whatever fantasies might lie behind these ideals, a blow that would impede more dedicated and ambitious plans of cooperation for the future.

The proposal of the Engineering Club does not appear to be viable in the spectrum of Latin American and Brazilian priorities. Brazil has ambitious plans for the Amazon and nuclear plans that may require the dedication and efforts of its research workers and scientists for many years to come.

There exists a de facto division of work with respect to unworked land. This division is reflected politically, which means in this case that as long as Brazil does not fight over the Antarctic, Argentina will abstain from fighting over the Amazon.

Argentine Expedition to the Amazon?

What would a Brazilian think if Argentina should say that it wants to carry out an expedition to the Amazon with a view to its future development? This is the question asked by one politician yesterday. The same thing is true of the Antarctic. The areas of that continent which have a South American "front," if one can call it that, are under Argentine control in actual fact and rightfully so, based on historic and legal documents.

The same line of argument holds that Argentina has no intention of fighting for control of the Amazon and therefore, Brazil should not try to gain any control over the Antarctic. The argument further states that this is a working political division and that Brazil should respect it, under penalty of shattering the South American balance.

With respect to special circumstances deriving from the Antarctic Treaty and scientific research, it was maintained in Buenos Aires that Argentine Antarctic claims have not in any way diminished as a result of them. It was further added that while de facto reasons relating to the world balance of forces and international policy maintain a sui generis situation with regard to Antarctic jurisdiction, when the time comes (perhaps around 1990), there is nothing to stand in the way of defining the situations with complete clarity, even through the use of armed force upon the expiration (1991) of the Treaty, which currently "discourages" such action.

Logically speaking, a conclusion of this nature would indicate that just as Brazilian private circles aspire to the Antarctic expeditions, they could aspire -- and so could Argentina -- to reach Alaska, Siberia, Greenland or other areas of the world whose jurisdiction is not in question at this time.

Nevertheless, the politicians reasoned, it would be desirable for Argentina and Brazil to extend their programs of cooperation to polar research, as long as the Brazilian Government first signs a paper saying that it recognizes Argentine sovereignty in the area, not because the politicians are particularly attached to such documents but rather, because it is always easier to prevent than to cure.

In return, Argentina could sign a document recognizing Brazilian sovereignty over the Amazon and participate in tropical research. They reasoned that if it is a matter of discussing sovereignty, it may as well be the Antarctic as the Amazon or the Sahara.

They think that Brazil does not have any need of polar research inasmuch as it is a tropical country from one end to the other. Furthermore, it would be preferable for it to use the enormous resources required by polar investigations on developing the unworked areas of its continental territory and adjacent waters.

They add that no matter how much the Brazilian expedition might claim to have scientific aims and not be aimed at expansion, it is a matter of a concrete fact: gaining a foothold in the Artarctic through such an expedition.

The fact that for various political and strategic reasons, Argentina has had to "tolerate" such action by the great powers does not mean that it has to watch Brazil do the same, inasmuch as there is no political or strategic reason for it and it would merely be a question of another expansion, they concluded, which is not compatible with the democratic programs that are now underway in Brasilia.

Artarctic Expedition From Rio de Janeiro

"Brazil is 50 years behind Argentina with respect to Artarctic problems," said one lecturer Monday at the symposium held at the Engineering Club on Artarctic studies.

The scientist, Aristides Pinto Coelho, a professor of biochemistry who in 1974 participated in an expedition to the Artarctic carried out by the University of California (United States), said that he was afraid that the "accusations of imperialism made by Argentina whenever there is talk of a Brazilian expedition to the icy continent might cause Brazil to withdraw from the southern zone once and for all."

The lecturer pointed out that with its 14 million square kilometers of surface, the Antarctic increases by another third due to the freezing of the surrounding waters and that it was once connected to South America, Africa, India and Australia, forming a great subtropical continent."

Pinto Coelho added that the Soviet bases specially located in the Antarctic portion facing the Atlantic Ocean "are engaged in radio receiving and transmitting work, in addition to mathematic studies on the winds that cause the anticyclones."

Although work being done in the Antarctic is mainly "pure science," he emphasized, there are already "great possibilities of immediate applications in various branches, especially in biology, and of results of investigations into the organisms of animals living in the region."

The scientist proposed that now that Brazil has signed the Antarctic Treaty, it should also carry out scientific expeditions on the white continent.

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CONSEQUENCES OF SALT II FOR UNDERDEVELOPED WORLD NOTED

Buenos Aires CLARIN in Spanish 14 Jun 79 pp 2-3 Supp

[Article by Enrique Alonso]

[Text] American and Soviet representatives will meet in a few hours to put their signatures on the second part of the SALT agreement. In spite of some recent international flare-ups (Sino-Vietnamese conflict, actions in Africa, the situation in the Middle East), some of them violent, the United States and Soviet Union have maintained the nucleus of their peaceful negotiation, which determines the progress of coexistence. They are doing it for objective reasons, which supersede any other considerations of a self-interested nature. The nuclear stalemate persists, and the responsibility for avoiding a direct global conflict resulting in the destruction of our civilization rests solely on the two superpowers, and only on them, since they alone have achieved a massive automatic retaliatory response to aggression. For that reason, it is said that bipolarity is military in essence, and independent of the rise of other centers of economic or financial power.

One of the substantial elements of SALT I was the mutual agreement not to establish antiballistic missile systems. That compromise implies the acceptance of vulnerability on each nation's part. That is, the acceptance of that vulnerability is the guarantee for the other term of the equation that there will not be a unilaterally determined surprise attack. Of course the installation of such barriers would have incurred such high cost that not even their highly developed economies could have borne it without strain. Without taking into account that the progressive sophistication of arms would eventually neutralize the supposed defense systems.

It is this characteristic of strategic arms (the mutual dissuasion they determine), powered by the unprecedented capacity of the science, technology and industry that implement them, which permits us to understand the folly--and even the madness--of the arms race.

Consider only so eloquent a circumstance as the fact that humanity finds itself sitting on a planet which--thanks to nuclear devices--could literally

explode in one critical moment of error or frenzy. If the leaders of East and West were to carry to an extreme their innovative capacity in the field of arms, and to operate increasingly more important concentrations of these arms--speaking both qualitatively and quantitatively--their societies would embark, paradoxically, on the road of decadence.

This does not mean they will stop building bombs and missiles. But they are mutually setting limits on their production. Within those limits, research and sophistication will continue. All of which does not contradict the tendency to disarmament (even though by omission). The limits imposed by SALT II, in this case, determine that the Soviets should dismantle 250 currently operating systems. They will doubtless do so with their most antiquated, but having arrived at this determination so as to offset the new production permitted to either side is, without doubt, a relevant new development.

SALT II also prohibits the incorporation of more than one new type of intercontinental missile and puts a limit on the number of nuclear warheads on each missile. As is known, modern rockets carry multiple warheads and are capable of launching them with extreme precision at different targets. It is a significant step that modern strategists think that those targets should first be rocket emplacements rather than large cities, and that many silos should be built for each missile (so that the adversary will not know at any given moment where the missile is being housed, thereby requiring him, in the event of an attack, to squander many warheads, instead of pondering major assaults on cities, as in the past. Within the irrationality implied by the use of the atom as a weapon, there has certainly been progress. Contributing to it, certainly, have been the agreements on shared information and the electronic surveillance systems designed to corroborate it. They will be the test of the will toward detente and, certainly, the threshold of future advances in disarmament.

To evoke these themes means, in addition, to begin to get a picture of the tremendous productive capacity, particularly industrial, at the disposal of the superpowers. It leads immediately to the question of the extent to which that capacity is adequate to overcome the conditions of shortage in which humanity has struggled for centuries, of generalizing the well-being of societies, and of eradicating, in large part, the roots of the tensions which--in the past and still today--have caused man to turn to violence and armed conflict.

There exists, in our time, the objective possibility of placing productive capacity at the service of peace and universal harmony and not subordinating it to the ends of war and the appropriation of foreign wealth. This rationale--ethical in nature--finds support in the fact that the unprecedented growth in the productive capacity of the United States and the Soviet Union leads them, inexorably, to exceed national boundaries and to begin to think in world-wide terms. The economic concentration of large production units requires markets. The United States--who boasts the greatest growth in this sense--cannot dispense with markets in the East (the presence of a Chase Manhattan

Bank Branch in Moscow, a few meters from Red Square, is eloquent in this regard) nor with those which could be provided by underdeveloped nations, to the extent these attain levels of growth sufficient to constitute a solvent demand. The same phenomenon can be perceived in the East. There is, therefore, a growing interdependence which is essential to a conception of the structure of the modern world and of that which appears on the horizon. That world is more and more compressed--smaller--because of the action of concentrated production and the revolution in communications. Within that world, cooperation for development is one of the lines of force.

One can perceive, following the lines of this rationale, in what way bipolar detente (military, following the SALT agreements) is the other side of peaceful competition between the superpowers. It is an objective fact that does not depend on willful attitudes or psychological analyses, but rather on the knowledge of the true development of international relations in our time.

Hence, the relevance of the SALT agreements for the underdeveloped nations. Above all, they put the lie to all the ideological constructs according to which a global conflict between the two opposing systems is inevitable. On the contrary, they lead to acceptance of the idea that the priority for the underdeveloped nations is the carrying out of national goals, since there is sufficient room to do so in a world of coexistence.

The SALT II agreements are destined, finally, to have a profound cultural impact on our societies; that is, working in the sense of brightening the horizon for the two thirds of humanity mired in underdevelopment. In many of these countries, the illusion of the cold war (which presumably foreshadowed an inevitable global conflict) led to mechanical alignments which subordinated national interests to the interests of the dominant power in the area. At the same time, other sectors of those societies thought they should undertake the struggle against the "imperialism" of the enemy. No leader can be unaware today that his responsibilities are, first and foremost, to the community itself. Neither can he ignore the fact that the time lost on behalf of ideologies results in stagnation and frustrates the road leading to the strengthening--necessary and also possible--of the nation itself.

Such illusions are evident forms of aculturation. Culture consists of the level at which each society resolves its potential, putting it into action, from the way it harnesses an ox to the highest expression of the spirit. There is no superior "culture" apart from the material conditions in which a people live, work and express themselves. And that culture, established in all its dimensions, becomes concrete through reflection on its proper destiny and in the methodology used for attaining it. If that integration is not achieved, and that vision not perceived, islands of intellectuals will arise, alienated from their social body and working in a vacuum. What Julien Benda called "la trahison des clercs."* And what we recognize as anarchistic thought and the total inability of our governing classes to comprehend the course of history.

*[Literally, "betrayal by the learned." Commonly translated "Betrayal of trust."]

ECONOMIC-FINANCIAL ANALYSIS, MONETARY OUTLOOK FOR 1979

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Jul 79 p 24

[Report submitted by Central Bank to National Monetary Council in Brasilia on 18 July: "Brazil: Economic-Financial Analysis of First Half and Monetary Policy Outlook for Second Half of 1979"; publication authorized 20 July by Planning Minister Mario Henrique Simonsen "with deletions"]

[Text] Brasilia--Government efforts to reduce the rate of inflation will be imperiled during coming months by the "recent increase in prices of imported petroleum and termination of the price-freeze agreement signed between the government and the supermarkets." That statement is contained in the document entitled "Brazil: Economic-Financial Analysis of First Half and Monetary Policy Outlook for Second Half of 1979," prepared by the Central Bank and submitted to the National Monetary Council meeting last Wednesday. Publication of the document, with deletions, was authorized yesterday by Planning Minister Mario Henrique Simonsen.

In almost the same words, Finance Minister Karlos Rischbieter conceded an inflation rate of about 4 percent this month and next. The energy crisis, he said, is making it "increasingly difficult to fight inflation." Rischbieter also announced that the coming price increase for gasoline and other petroleum derivatives to go into effect 1 August must be harmonized with the fight against inflation. The minister declined to divulge any percentage for the price increase, asserting he has not received the CNP [National Petroleum Council] studies, but members of his ministry who participated in the study for setting new prices said there is an intention to correct distortions resulting from the subsidy for diesel fuel and fuel oil. "Whoever consumes it should pay, and not everyone," one of them said in justification of the greater increase that will be adopted for these two derivatives.

Drop In Reserves

In analyzing economic performance during the first half of this year, the document released yesterday reports that \$4.653 billion in foreign funds were obtained, a little less than the \$4.834 billion obtained during the

same period of 1978. To avoid increasing foreign debt excessively, it was planned at the beginning of the year to use only \$3 billion of international reserves but, according to the document, in the first half of this year alone there has been a reduction of \$2.042 billion, reducing total foreign reserves to \$9.853 billion by the end of the period.

Regarding industrial production, the document says that in spite of restrictive measures adopted by the government there is still "unrestrained development of economic activity," with industry growing 9.3 percent during the 12 months ending in May, including 9.4 percent growth in manufacturing, 5.5 percent in mineral extraction and 9.1 percent in capital goods.

Employment, as determined by the IBGE [Brazilian Institute of Geography and Statistics], showed an increase of 2.6 percent through April in the number of persons employed in industry, with a 3.9 percent increase in Greater Sao Paulo.

Use of Surplus

In carrying out monetary policy during the second half of the year, authorities intend to utilize as much as possible the liquid funds of the National Treasury obtained through the reevaluated surplus of 40 billion cruzeiros in the federal budget. If this is not possible, a net sale of up to 15 billion cruzeiros of government bonds will be needed, contrary to the Figueiredo government's intention to avoid growth of public domestic debt this year in real terms.

To avoid a pronounced deviation from the initial goal of expanding the money supply--currency in public hands plus demand deposits in the Bank of Brazil and commercial banks--by 30 percent, in the revised budget monetary authorities will raise net funds to be injected by the National Treasury from 10 billion cruzeiros to 35.2 billion cruzeiros. To further reduce impact on the monetary base (difference between income and outgo of funds in the monetary budget), projections of the amount to be derived from foreign-currency deposits were increased from an outflow of 38.14 billion cruzeiros to an inflow of 32.87 billion cruzeiros, a net change of 71.01 billion cruzeiros. The basic cause was the compulsory deposit of 50 percent of foreign borrowings imposed in April.

Even so, Simonsen concedes that meeting the goal of a 30-percent expansion in money supply will require cutting 8.35 billion cruzeiros, at the minimum, to 77.78 billion cruzeiros from budgeted appropriations, projected for 1.13 trillion cruzeiros by the end of the year, after last Wednesday's revision.

Under the most favorable of assumptions, the increase in basic money supply will amount to 33.4 percent for the year, as long as the budgeted appropriations are held to and the 40-billion-cruzeiro treasury surplus is utilized without selling any government bonds and without deviations in

other accounts of the monetary budget. To eliminate such a 3.4-percent overexpansion in money supply, budgeted appropriations would have to be reduced 8.35 billion cruzeiros. That estimate is based upon a multiplier--the banking system's capacity for creating money--of 1.83 over the monetary base.

Should the money-supply multiplier remain at its current level of 1.915, also adopted in the original version of the monetary budget, deviation from the original goals could be alarming. In such a case, combined with an eventual reduction in the treasury surplus of 20 billion cruzeiros, monetary authorities would be forced to reduce planned appropriations by 77.8 billion cruzeiros to hold money-supply growth to 30 percent. Or, without such reductions, accept a growth rate of 62.3 percent as well as placement of 20 billion cruzeiros in federal bonds and reduction of the expected deviation in other budget accounts from 30.31 billion cruzeiros to 20 billion cruzeiros.

The planning minister himself expresses pessimism about controlling money and credit in analyzing the chart simulating this year's monetary budget. "In view of such a situation, to reduce annual expansion of the money supply and commercial bank loans from the rates of 48.7 percent and 59.6 percent, respectively, reached in June (based upon the preceding 11 [sic, 12?]-month period) to the 30-percent and 40-percent levels anticipated in the monetary budget by the end of the year becomes a very difficult and uncertain task, even if monetary authorities make the necessary reductions in appropriations."

To complicate matters, it will be difficult to maintain the current restrictions on foreign borrowings--the compulsory deposit and the freeze--for another 210 days, especially with pressure from the new oil prices on the balance of payments. By the end of the first half year the inflow of funds was close to that of the like 1978 period. The public sector obtained \$2.63 billion and the private sector, \$2.02 billion, for a total of \$4.65 billion compared to \$4.83 billion obtained during the first 6 months last year.

Yesterday the Central Bank also distributed statistics on money-supply growth during the first half year. The growth of 9.1 percent in June alone raised the half-year rate of expansion to 15.9 percent, which led the planning minister to remark: "With such results, in order to hold to the goal of 30 percent, it becomes necessary for the money supply to expand by only 12.2 percent in the second half, which is quite unlikely if one bears in mind the money-supply expansion in December alone (an average of 9.2 percent during the last 5 years)."

Since 1975 the second half of the year has always had a rate of money-supply expansion more than double that of the first 6 months, with the exception of 1976, when the relationship was 22.7 percent to 11.8 percent. During the last 6 months of the year, the money supply grew 24.8 percent in 1977, 28.4 percent in 1978 and 29.5 percent in 1975.

Simonsen thus acknowledges that limitation of money-supply expansion to 12.2 percent during this half year, as would be required by the monetary budget, "would involve an appreciable reduction in the system's real liquidity during coming months--given the hardly favorable prospects for significant reductions in the monthly rates of increase in the general price index--precisely during a period when the demand for money and credit by economic agents is most pronounced."

Government Could Not Check Growth

The full text of the document is as follows:

"Brazil: Economic-Financial Analysis of First Half of 1979 and Monetary Policy Outlook for Second Half of 1979"

Members of the Council:

As your excellencies know, Law No 4595/64, in its Article 3, established the principal policy objectives of the National Monetary Council, among which is:

Clause I: "To adapt the size of the money supply to the real needs of the national economy and its development process."

Moreover, in Article 4 the subject matter under the particular responsibility of the National Monetary Council is set forth, emphasizing in its Clause VI:

"To discipline credit of all types and credit transactions in all their forms, including acceptances, endorsements and provision of any guarantees by financial institutions."

Let us first make a brief report on the Brazilian economy's performance during the first half of this year, particularly in respect to changes in the major indicators of activity, the balance of payments and conduct of monetary policy.

Industrial Production

Despite the restrictive measures adopted by the government to cool off the heated growth of national output, the economic situation is still one of unrestrained growth in economic activity, as shown by the table below with statistics taken for 12 months.

In fact, at the end of May (the latest available datum) industrial production showed an annual growth rate of 9.3 percent, so that the average annual growth rate for the first 5 months of the year was 8.7 percent. That performance can be attributed to the delay in industry's response to the measures adopted, due to the backlog of orders on the books.

Only for consumer durable goods--the sector most quickly affected by a restrictive economic policy because it is sensitive to short-term fluctuations--is there some moderation, with an annual rate of expansion reduced from 15.6 percent in January to 12.5 percent in May, although this is still high in comparison to the hoped-for reduction in economic activity.

Industrial Production, According to Use (In the 12 Months Ending With the Indicated Month)

| Period | Manufac- Mineral Capital Consumer Goods | | | | | |
|-----------|--|--------|------------|-------|---------|------------|
| | General | turing | Extraction | Goods | Durable | Nondurable |
| 1978 | | | | | | |
| January | 3.3 | 3.5 | -4.2 | -4.0 | 2.8 | 0.8 |
| February | 3.6 | 3.9 | -3.5 | -4.0 | 3.4 | 1.4 |
| March | 3.0 | 3.2 | -3.9 | -4.7 | 4.3 | 1.1 |
| April | 3.3 | 3.5 | -3.9 | -3.6 | 6.6 | 1.5 |
| May | 3.1 | 3.3 | -3.7 | -3.6 | 7.2 | 1.4 |
| June | 3.3 | 3.5 | -3.8 | -2.8 | 9.4 | 1.8 |
| July | 3.8 | 4.0 | -2.6 | -1.2 | 11.4 | 2.6 |
| August | 4.6 | 4.8 | -0.9 | 0.0 | 12.9 | 4.0 |
| September | 5.4 | 5.5 | 1.1 | 0.6 | 14.2 | 4.9 |
| October | 6.5 | 6.9 | 3.2 | 3.2 | 15.8 | 6.4 |
| November | 6.8 | 6.9 | 4.9 | 3.9 | 16.3 | 6.8 |
| December | 7.5 | 7.5 | 6.0 | 6.7 | 16.5 | 6.9 |
| 1979 | | | | | | |
| January | 8.2 | 8.3 | 7.4 | 9.0 | 15.6 | 7.6 |
| February | 8.7 | 8.8 | 6.5 | 10.0 | 15.6 | 8.2 |
| March | 8.9 | 9.0 | 6.4 | 9.8 | 12.9 | 8.5 |
| April | 8.8 | 8.9 | 5.6 | 9.2 | 11.9 | 8.2 |
| May | 9.3 | 9.4 | 5.5 | 9.1 | 12.5 | 8.4 |

Employment

Through April the general indicator calculated by the IBGE records an increase of 2.6 percent in the number of persons employed in industry. This percentage resulted essentially from a 1.8-percent increase in those employed in mineral extraction and 2.6-percent increase in manufacturing employment.

Industrial employment showed a 3.9 percent increase in Greater Sao Paulo through May, with growth in all sectors included in the sample.

Prices

As for inflation, prices increased at a high rate during the first half of the year. With an increase of 3.4 percent in the IGP-DI [general price index in terms of domestic production] during June, the cumulative rate of increase for this index for the first half of the year reached 24.9 percent, surpassing the 21.2 percent of the like period in 1978.

Government efforts to bring about a significantly lower rate of inflation during coming months could be jeopardized to some extent by the recent price increase for imported petroleum and termination of the price-freeze agreement made between the government and the supermarkets.

The IPA-DI [wholesale price index in terms of domestic supply], principal component of the IGP [general price index] by weight, increased 25.5 percent in the first half of this year (compared to 22.5 percent last year), due mainly to price increases for intermediate goods, for example, the 5 [sic, 27.1?]-percent increase for construction materials.

In terms of aggregate supply (sum of domestic production plus imports), the increase of 26.5 percent (compared to 21.7 percent in 1978) reflects the sharp increase in prices for agricultural products at the wholesale level, the rate of increase for which went from 1.2 percent in May to 5.4 percent in June.

The cost-of-living index for Rio de Janeiro--second major component of the IGP--rose 5.5 percentage points faster in the first half of this year compared with the same period last year (25.0 percent in 1979 and 19.5 percent in 1978), reflecting especially the significant increases in foodstuffs and housing.

Price Indexes--Percentage Increases

| Component | Month Of June | | January Through June | | 12 Months Through June | |
|------------------------------------|------------------|------|-------------------------|------|---------------------------|------|
| | 1979(*) | 1978 | 1979 (*) | 1978 | 1979(*) | 1978 |
| IGP-DI | 3.4 | 3.6 | 24.9 | 21.2 | 45.1 | 37.3 |
| IPA-DI | 3.5 | 3.6 | 25.5 | 22.5 | 46.5 | 37.1 |
| Cost of Living--Rio de Janeiro | 3.2 | 4.1 | 25.0 | 19.5 | 44.5 | 38.0 |
| Construction costs--Rio de Janeiro | 3.5 | 2.5 | 27.1 | 19.2 | 46.0 | 36.4 |
| IPA-OG(**) | 4.2 | 3.3 | 26.5 | 21.7 | 48.0 | 34.6 |
| Agricultural products | 5.4 | 5.0 | 32.3 | 32.2 | 47.8 | 39.8 |
| Industrial products | 3.7 | 2.6 | 24.0 | 17.3 | 48.0 | 32.3 |

(*) Estimated

(**) [Wholesale price index in terms of aggregate supply]

Foreign Sector

In view of the cumulative trade-balance data for January through May 1979, showing imports of \$6.216 billion (preliminary figure) and exports of \$5.626 billion, it is seen that the trade deficit during the first 5 months of this year of \$590 million was already 37 percent greater than that of \$431 million during the same period of the previous year. The estimated deficit for May was \$147 million, whereas that of the same month of 1978 was only \$24 million.

Calculation of the "services" item indicates a deficit of \$1.674 billion during the first quarter of this year, surpassing by 48.4 percent the deficit recorded during the same period of 1978.

Funds obtained abroad during the first half of this year were \$4.653 billion, hence somewhat less than those in the same period of last year (\$4.834 billion). Of these receipts, \$2.635 billion were for the public sector and \$2.018 billion were for the private sector.

International reserves--in terms of IMF liquidity--were \$9.853 billion at the end of the first half year, indicating a reduction of \$2.042 billion compared to the position of last December.

Monetary Policy in the First Half Year

Regarding the conduct of monetary policy, the money supply grew by 15.9 percent during the first half of this year, surpassing that of the same period last year (10.8 percent).

At the end of June the money supply in the narrow sense (M1) was estimated at 536.3 billion cruzeiros, surpassing by 7 percent the amount projected in the monetary budget.

The accelerated growth rate of the money supply noted in the first half of 1979 was due to a percentage expansion of the monetary base much greater than anticipated in the monetary budget (11.5 percent compared to 9.5 percent), bearing in mind that the actual value of the multiplier at the end of June was somewhat higher than that of 31 December 1978 (1.920 compared to 1.913).

Expansion during the 12 months previous to the end of June was 48.8 percent, the highest rate of increase at the end of the first half year since 1965. The following table shows the behavior of this variable since 1972.

Money Supply

| At End of First Half of: | Balance (in millions of cruzeiros) | --Rate of Increase-- | | |
|-----------------------------|--|----------------------|-----------------------|--------------------------|
| | | In Month of June | In First Half Year | In Previous 12 Months |
| 1972 | 49,703 | 5.9 | 11.7 | 31.5 |
| 1973 | 73,672 | 7.6 | 19.7 | 48.2 |
| 1974 | 100,885 | 4.4 | 11.5 | 36.9 |
| 1975 | 133,144 | 6.5 | 10.2 | 32.0 |
| 1976 | 192,791 | 9.1 | 11.8 | 44.8 |
| 1977 | 260,524 | 6.2 | 10.2 | 35.1 |
| 1978 | 360,415 | 6.6 | 10.8 | 38.3 |
| 1979 (estimated) | 536,068 | 9.1 | 15.9 | 48.8 |

In real terms, using the IGP-DI as a deflator, and also over a 12-month period, the amount of this variable again showed real growth (2.5 percent), after having decreased for over 2 months (down 0.6 percent in March and 2.8 percent in April).

Real Increase in Money Supply (Deflator: IGP-DI)

| Period Ending: | Balance M1 x 100 | --Rate of Change (Percent)-- | | |
|-------------------|---------------------|------------------------------|-----------------|------------------------|
| | | During Month | Year to Date | Preceding 12 Months |
| 1978 | | | | |
| January | 21,074 | -9.2 | - 9.2 | 2.1 |
| February | 20,880 | -0.9 | -10.1 | 2.7 |
| March | 20,802 | -0.4 | - 1.4 | 3.5 |
| April | 21,039 | 1.1 | - 9.4 | 2.0 |
| May | 20,620 | -2.0 | -11.2 | 2.0 |
| June | 21,226 | 2.9 | - 8.6 | 0.8 |
| July | 20,752 | -2.2 | -10.6 | 0.1 |
| August | 20,886 | 0.6 | -10.0 | 0.2 |
| September | 21,289 | 1.9 | - 8.3 | -0.1 |
| October | 21,411 | 0.6 | - 7.8 | -0.4 |
| November | 21,667 | 1.2 | - 6.8 | 1.0 |
| December | 23,449 | 8.2 | 1.0 | 1.0 |
| 1979 | | | | |
| January | 21,315 | -9.1 | - 9.1 | 1.1 |
| February | 21,953 | 3.0 | - 6.4 | 5.1 |
| March | 20,667 | -5.9 | -11.9 | -0.6 |
| April | 20,441 | -1.1 | -12.8 | -2.8 |
| May | 20,628 | 0.9 | -12.0 | 0.0 |
| June | 21,757 | 5.5 | - 7.2 | 2.5 |

Under such circumstances, to meet the goal of 30-percent money-supply expansion for the year 1979 it is necessary to limit expansion during the second half of the year to 12.2 percent, something that is highly problematical when one takes into consideration the usual expansion during the month of December alone (an average of 9.2 percent during the last 5 years).

Not only is a 12.2-percent money-supply expansion during the final 6 months of the year much less than has occurred in previous years (as shown in the table below), but it would involve a severe reduction in the system's real liquidity during coming months--given the hardly favorable prospects for significant reduction in the monthly rates of general-price-index rises--precisely during a period when demand for money and credit by economic agents is strongest.

The estimated balance of loans by the monetary system (Bank of Brazil and commercial banks) was 1.3356 trillion cruzeiros on 30 June, indicating an

Money Supply--Percentage Changes

| Period | 1975 | 1976 | 1977 | 1978 | 1979 |
|---------------------|------|------|------|------|----------|
| First half of year | 10.2 | 11.8 | 10.2 | 10.8 | 15.9 |
| Second half of year | 29.5 | 22.7 | 24.8 | 28.4 | 12.2 (1) |
| Full year | 42.8 | 37.2 | 37.5 | 42.2 | 30.0 (2) |

(1) Expansion required to meet the monetary budget's goal

(2) Expansion projected in the monetary budget

expansion of 22.4 percent, greater than that projected in the monetary budget (19.3 percent) for the end of the first half year.

Expansion at a rate greater than projected was due to the commercial banks, which increased credit 24.3 percent compared to the 18.2 percent anticipated in the projection. It should be stressed that beginning in May the differential between these rates of expansion has been significantly reduced, which can be attributed to restrictive measures adopted by the monetary authorities since April that especially affected the attraction of time deposits and foreign funds by banking establishments. As a result, the rate of expansion of such transactions was reduced from 65.2 percent for the 12-month period ending in April to 63.9 percent in May and 59.6 percent at the end of June.

The greater rigor exercised by monetary authorities over their transactions during the 6-month period should also be stressed, inasmuch as the amount of credits, in various forms, from the Central Bank to financial intermediaries was 18 billion cruzeiros at the end of June, less than the balance anticipated in the monetary budget. Meanwhile, loans by the Bank of Brazil to the public and private sector also increased less than projected (19.8 percent compared to 20.8 percent). However, some acceleration is now being noted in Bank of Brazil credits, inasmuch as the increase estimated for June, 6.2 percent, was greater than the 5.8 percent programmed for the month.

Monetary Policy for the Second Half Year

At the end of May, when money-supply expansion was already suggesting that the goals provided by the monetary budget for the end of the first half year would be surpassed, a revision of the projected accounts was initiated by monetary authorities in an effort to identify deviations and also to assess the viability of complying with the 30 percent goal established for money-supply growth during the year.

Meanwhile, the National Monetary Council approved important measures in the area of rural credit which resulted in raising credit programmed for the Bank of Brazil by 22 billion cruzeiros to finance agricultural expenditures, of which 19 billion cruzeiros were to defray the basic amount of expenditures (VBC) and 3 billion cruzeiros were for credit assistance to regions afflicted by drought.

Although these measures ratified the priority given by the government to agricultural production, they also introduced additional pressures for money-supply expansion.

Thus, in view of these additional appropriations authorized for financing agricultural expenses and expansion in the accounts of monetary authorities occurring during the first half year, we made a reevaluation of the behavior of each category included in the monetary budget for the second half year, the results of which are shown in Table 1. As we can see, the deviation observed during the period in the monetary base in comparison to the original projection was 22.779 billion cruzeiros (Table 1).

Meanwhile, innumerable uncertainties remain regarding the evolution of certain categories of the monetary budget and of the multiplier itself that prevent our predicting with assurance the deficiency of funds implicit in this reevaluation; that is, the amount of reductions needed to make the revised monetary budget compatible with the goal of a 30-percent money-supply expansion.

The principal uncertainties are in regard to the multiplier, the amount of the surplus in the National Treasury and the viability of selling federal government bonds in a sufficient amount to meet debt retirements and the growth of the "other accounts" category, which showed significant variation in the first half, even bearing in mind the adjustments of a purely book-keeping nature.

The opportunity granted to commercial banks of drawing on their compulsory currency reserves deposited in the Central Bank, although not reducing the restrictive power of the instrument--since the commercial banks must maintain an average compulsory cash position equivalent to 35 percent of deposits subject to withdrawal--does introduce a certain instability in the multiplier that could cause abrupt variations in its absolute value.

In June, for example, these drawings were heavy on the last day of the month so that statistically the multiplier, which in the January-to-May period had been about 1.823, was raised to 1.920. The effect of such an increase was, however, partially offset by a reduction of 2.4 billion cruzeiros in net loans on the last day of the month. In any event, bearing in mind that these drawings may be repeated at the end of December, we have made three alternative hypotheses for behavior of the multiplier.

The financial performance of the National Treasury, in turn, whose balance was originally estimated at 10 billion cruzeiros, is now being reestimated with a surplus of 40 billion cruzeiros. We know, however, that innumerable pressures will be exerted for expanding public outlays, which may compromise this new estimate.

Sale of federal government bonds, on the other hand, as we know, is subject to the amount of liquidity in the financial market and could thus be greatly

Table No 1

Central Bank of Brazil
Economic Department
DIPRO/SEORM [expansions unknown]

Revised Monetary Budget--1979
(in millions of cruzeiros)

| Description | Balance on | --Planned-- | | --Revised-- | | Deviation |
|--|--------------------|----------------|-------------|----------------|-------------|------------------------------|
| | 31 Dec 1978 (1) | Balance (2) | Flow (3) | Balance (4) | Flow (5) | (4)-(2) or (5)-(3) (6) |
| A - ASSETS | 854,065 | 986,204 | 132,139 | 1,128,798 | 274,733 | 142,594 |
| I Bank of Brazil Loans | 450,635 | 602,048 | 151,413 | 629,654 | 179,019 | 27,606 |
| II Applied in Financial Institutions | 152,486 | 197,865 | 45,379 | 198,351 | 45,865 | 486 |
| III Other Applications of FDPE [expansion unknown]-Coffee | 3,645 | 6,215 | 2,570 | 7,234 | 3,589 | 1,019 |
| IV Exchange Accounts (net balance) | 197,654 | 124,448 | -73,206 | 207,620 | 9,966 | 83,172 |
| V Other Accounts (net balance) | 45,355 | 48,298 | 2,943 | 78,609 | 33,254 | 30,311 |
| Other Asset Accounts(*) | 4,290 | 7,330 | 3,040 | 7,330 | 3,040 | -- |
| B - NON-MONETARY LIABILITIES | 612,242 | 671,834 | 59,592 | 791,649 | 179,407 | 119,815 |
| VI Net National Treasury Funds Subject to Monetary Authorities | 54,298 | 64,298 | 10,000 | 99,497 | 45,199 | 35,199 |
| VII Net FDPE-Coffee Funds | -7,782 | 4,622 | 12,404 | 12,027 | 19,809 | 7,405 |
| VIII FUNAGRI [General Fund for Agriculture and Industry | 74,374 | 83,277 | 8,903 | 74,121 | - 253 | -9,156 |
| IX Monetary Reserve | 64,835 | 48,625 | -16,210 | 51,962 | -12,589 | 3,337 |
| IOF/IEX | 30,293 | 42,545 | 12,252 | 45,882 | 15,589 | 3,337 |
| Decree-Law No 1638 | 34,542 | 6,080 | -28,462 | 6,080 | -28,462 | -- |
| X Various Deposits | 239,701 | 211,165 | -28,536 | 293,081 | 53,380 | 81,916 |
| On Imports | 62,045 | 72,593 | 10,188 | 83,593 | 21,188 | 11,000 |
| On Foreign Travel | 3,187 | 3,550 | 363 | 4,950 | 1,763 | 1,400 |
| On Fuel Oil | 5,555 | --- | -5,555 | 2,500 | -3,055 | 2,500 |
| In Foreign Currency | 146,145 | 108,000 | -38,145 | 179,016 | 32,871 | 71,016 |
| Others | 22,409 | 27,022 | 4,613 | 23,022 | 613 | -4,000 |
| XI Bank Equity Funds | 180,429 | 252,350 | 71,921 | 253,464 | 73,035 | 1,114 |
| Bank of Brazil | 108,881 | 169,725 | 60,844 | 154,725 | 45,844 | -15,000 |
| Central Bank of Brazil | 71,548 | 82,625 | 11,077 | 98,739 | 27,191 | 16,114 |

[Revised Monetary Budget--1979 (continued)]

| Description | Balance on 31 Dec 1978 (1) | Planned-- Balance (2) | Flow (3) | --Revised-- Balance (4) | Flow (5) | Deviation (4)-(2) or (5)-(3) (6) |
|--------------------------|----------------------------------|-----------------------------|-------------|-------------------------------|-------------|---|
| Other Liability Items(*) | 6,387 | 7,497 | 1,110 | 7,497 | 1,110 | --- |
| C - MONETARY BASE | 241,823 | 314,370 | 72,547 | 337,149 | 95,326 | 22,779(**) |

(*) Items whose projected flows were not changed by this revision

(**) Deviation calculated in keeping with the multiplier of 1.915 projected in the monetary budget for December 1979

hampered as a result of the very government measures directed toward more restrictive credit during the second half year.

Finally, we have assumed alternative hypotheses about the normal growth of the "other accounts" category.

In this way, depending upon the hypothesis assumed about the value of the multiplier, about the greater or lesser flow of funds into the National Treasury and about the normal growth of "other accounts," the money supply could expand by 33.4 percent in the best of hypotheses and by 62.3 percent in the worst of these. However, if reductions in the monetary budget in an amount equivalent to the deficit of funds calculated by each hypothesis are carried out, expansion of the money supply will in any case be compatible with the goal of 30 percent, achievement of which will depend, naturally, upon occurrence of the assumed hypothesis.

In view of this panorama, reducing the annual expansion of the money supply and of commercial bank loans from the 12-month levels of 48.7 percent and 59.6 percent, respectively, reached at the end of June to the percentages anticipated in the monetary budget of 30.0 percent and 40.0 percent, in each case, by the end of this year becomes a very difficult and uncertain task, even if the necessary reductions in appropriations are made by the monetary authorities.

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CSO: 3001

BRIEFS

ARMED FORCES PROMOTIONS--President Joao Baptista Figueiredo yesterday signed a decree approving the following promotions: to generals in the army major generals Milton Tavares de Souza and Geraldo Alvarenga Navarro; to major generals in the army, brigadier generals Jose Luis Coelho Netto, Adhemar da Costa Machado, Jose Albuquerque and Ivan de Souza Mendes; to brigadier generals in the army, colonels Antonio Visintainer Santos Rocha, Jose Apolonio da Fontoura Rodrigues Neto, Luiz Pires Uraragy Netto and Mandel Theophilo Gaspar de Oliveira Netto; to major general in the medical corps, Brig Gen Joao Veloso; to brigadier general in the quartermaster corps, Col Bartholomeu da Silva Filho; to vice admiral in the navy, Rear Adm Luis Leal Ferreira; to major general in the air force, Brig Gen Guilherme Howat Roderiques Junior; to brigadier general in the air force, Col Jose Ruy Alvare; and to brigadier general in the engineering corps, Col Tercio Paci'ti. [Rio de Janeiro O GLOBO in Portuguese 1 Aug 79 p 10 PY]

TRADE PROTOCOL WITH ROMANIA--In Bucharest yesterday Mines and Energy Minister Cesar Cals signed a protocol whereby Brazil commits itself to supply 50-million tons of iron ore to Romania during 1980-90 in exchange for lubricant oils, fertilizers, iron and other metal products and pharmaceuticals. In the protocol the two countries express their intention to expand their economic, commercial, technological and industrial exchange and to cooperate in projects in third countries in Latin America and Eastern Europe. Romania also shows interest in building an iron pellet plant in Brazil in association with the Vale do Rio Doce Company. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Jul 79 p 25 PY]

PRESIDENT INVITED TO ROMANIA--Itamaraty confirmed yesterday that Romania has officially invited President Joao Baptista Figueiredo to visit that country. The invitation was delivered to Itamaraty through the Romanian Embassy in Brasilia. [Rio de Janeiro O GLOBO in Portuguese 24 Jul 79 p 3 PY]

RISK CONTRACT SIGNING--Petrobras and the U.S. Marathon International Oil Company will sign a risk contract this morning to explore for oil in Brazil. The area to be assigned to the Marathon company has not been revealed. [Rio de Janeiro O GLOBO in Portuguese 20 Jul 79 p 19 PY]

COAL GASIFICATION PLANT--Petrobras will build a coal gasification plant in Porto do Conde in the municipality of Sao Geronimo, Rio Grande do Sul State. The gas will then be treated with ammonia to produce fertilizer by the Rio Grande do Sul [word indistinct] company. [Brasilia Domestic Service in Portuguese 2200 GMT 24 Jul 79 PY]

ITAIPU TURBINE INSTALLATION--The Itaipu binational enterprise has altered its original plan to install nine 50-cycle turbines first and will now simultaneously install the 50-cycle and 60-cycle turbines belonging to Paraguay and Brazil respectively. This decision was made in view of the uncertainty over being able to master fully the technology of direct current transmission which would be required for Brazil to use the output of the 50-cycle turbines by the time the hydroelectric plant is scheduled to go into operation in 1983. [Rio de Janeiro JORNAL DO BRASIL in Portuguese 24 Jul 79 p 17 1/Y]

HELICOPTER DELIVERY--Yesterday the Brazilian navy received an Esquilo helicopter, the first of six ordered from the Helibras company. Fifteen percent of its components have been manufactured in Brazil. The helicopter was designed by a French company. [Rio de Janeiro O GLOBO in Portuguese 17 Jul 79 p 5 PY]

CORN IMPORTS--The Brazilian Warehouses and Trade Company [COBEC] and Petrobras International Trade, Inc, are going to import 330,000 tons of corn for the production finance commission, mostly from the United States, at a total cost of \$56 million. The shipment should be delivered during September and October. [Rio de Janeiro O GLOBO in Portuguese 24 Jul 79 p 19 PY]

NATIONAL ALCOHOL PROGRAM--The Northeastern Bank of Brazil has approved 2,068 million cruzeiros for the implementation of 15 alcohol distilleries in the northeast within the framework of the national alcohol program. These projects will yield 2,944 million liters of alcohol per harvest and will create approximately 3,000 jobs. [Brasilia Domestic Service in Portuguese 2200 GMT 19 Jul 79 PY]

FIGUEIREDO NOMINATES AMBASSADORS--Brasilia--President JOAO Baptista Figueiredo yesterday submitted to congress the nomination of Manoel Antonio Maria de Pimentel Branco, Murilo Gurgel Valente and Alberto Vasconcelos da Costa e Silva as the new ambassadors to Czechoslovakia, Singapore and Nigeria respectively. [Rio de Janeiro O GLOBO in Portuguese 26 Jul 79 p 3 PY]

NEW AMBASSADORS PRESENT CREDENTIALS--Brasilia--The new Japanese ambassador, Nobuo Okuchi, and the new Sri Lanka ambassador, B. J. Fernando, presented their credentials to President Figueiredo yesterday. B. J. Fernando is also ambassador to the United Nations. [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 25 Jul 79 p 5 PY]

CSO: 3001

COUNTRY'S INTERNATIONAL FINANCIAL SITUATION DISCUSSED

Santiago EL CRONISTA in Spanish 13 Jul 79 p 13

[Text] For the first time in the past 19 years, there has been a decline in the country's traditional foreign debt, while the external financial loans in the private sector increased 72 percent, supplementing the domestic investment to a considerable extent.

The Central Bank's director of international operations, Enrique Tassara, stated that, in 1978, the traditional foreign debt (which includes loans received by the public and private sectors, with a guarantee from the state, as well as amortizations, interest and balances) amounted to \$4.493 billion. Between 1973 and 1978, the traditional debt in dollars with equal purchasing power dropped by 48 percent. The high point was reached in 1972, with a total of \$5.065 billion.

Overall Debt

Tassara announced that, in 1978, the overall foreign debt totaled \$6.911 billion, including the traditional foreign debt, loans from the International Monetary Fund (\$347 million), a loan from the suppliers of the private sector (\$192 million), financial credits to the sector and a short-term line of credit to the banking system.

The amount represented a 6.2 percent increase in the foreign debt, in nominal terms, over the 1977 figure. Tassara claimed that the increase stemmed mainly from the rise from \$800 million to \$1.377 billion in financial credits to the private sector.

It was also influenced by the increase from \$577 million to \$1.468 billion in the foreign loans of the public and private sectors, with a government guarantee, which relate to the traditional debt.

This category includes the loans obtained abroad with individual funds of CODELCO [Copper Corporation], branches of CORFO [Production Development Corporation], the public services entity, CORFO and the Central Bank. In 1978, only \$74 million in foreign loans was received with direct responsibility borne by the government. The state granted \$6 million in guarantees to the private sector.

Supplement

In the opinion of the head of the Central Bank, "Much of the nation's economic expansion last year was due to the sizable receipts of foreign loans."

He stressed that, even though this meant an increase in the nation's debt, "This greater indebtedness should not be cause for concern, because it involves sound credit operations, with income-producing plans, both in the private sector and in the state enterprises, which are making investments." He added that the figures attest to a substantial decline in the public debt per se.

Allocation

He also pointed out that 30 percent of the foreign loans related to the traditional debt which were received in 1978 were allocated to finance investments; 21 percent were used for the purchase of machinery and equipment; 22 percent were allocated to finance working capital; and 27 percent were freely available.

On the other hand, of the financial loans obtained by the private sector as a foreign investment, a contribution associated with that investment, working capital and direct loans, 55.1 percent were allocated for financing services and other items.

Agriculture received \$29.6 million in funds, with 4.2 percent of the total; mining received \$46.7 million, with 6.6 percent; industry received \$179 million, with 25.5 percent; and construction received \$60.3 million, with 8.6 percent of the total amount.

The financing services increased mainly because of the incorporation of this type of operation into the commercial banks.

Creditors

The utilization of the foreign credit during 1978 originated with the following types of creditors: multinational entities, 2.3 percent; government agencies, 2.3 percent; private banks and financial institutions, 84.0 percent; and suppliers, 11.4 percent.

The percentages represent a total of \$2.3528 billion in foreign loans during 1978, demonstrating that 95.6 percent of the loans were granted by the international private sector.

International Confidence

Tassara remarked that this fact reveals the great confidence on the part of the international financial community in Chile's economic model. He stressed

the fact that this confidence has made it possible to obtain increasingly advantageous financing terms. He noted that, for this reason, the financial cost of the foreign credit has been much lower than that on the national capital market.

The director of international operations for the Central Bank, Enrique Tassara, likewise emphasized that one may infer from the records that the growth in the direct fiscal debt is minimal, the bulk of it borne by the state enterprises with their own funds and mainly by the private sector.

Tassara concluded by saying: "Any country which is developing, particularly at a steady, accelerated rate as in the case of Chile, requires a large supplement of foreign credit for productive investments."

2909

CSO: 3010

FINANCIAL INSTITUTIONS PERMITTED TO INCREASE FOREIGN BORROWING

Santiago LA TERCERA DE LA HORA in Spanish 28 Jun 79 p 41

[Text] The commercial, development and financial banks have been authorized to make a sizable increase in their foreign debt through loans, raising the capital and reserves of each entity 20 times in the case of the first two, and 15 times in the case of the financial institutions.

The change was agreed upon last Tuesday by the issuing institution, together with the announcement that the program of cash discounts for 30 to 89-day deposits would be extended from July to December of this year. Both measures are aimed at "liberalizing the capital market, both national and foreign."

In the case of the commercial banks, the authorization to contract foreign loans of up to 20 times the capital and reserves of these firms will multiply their current borrowing capacity abroad, which was 2.25 times their capital and reserves previously, nearly ten times.

The development banks will have the authority to contract foreign debts increased from six to 20 times their capital and reserves, and in the case of the financial institutions, the increase will be from 0.70 to 15 times.

The Central Bank explained that "the foreign debts are the sole responsibility of the debtors, and there is no type of guarantee from this institution for the foreign creditors." Therefore, the latter should "correctly assess the financial status" of each native firm which requests funds.

It was also stated that the entry of these foreign loans will be regulated only by the established cash reserve rate, which has been 25 percent in the case of those granted for 3 years, and as little as zero percent when they are granted for a term of over 5 and a half years.

Debt Will Increase

As the manager of studies of the Spanish Bank, Luis Iroume, remarked, the main result of this change will be a larger debt for the native firms with long-term foreign loans exceeding 5 years, since "this money is still cheaper than that of the nation."

The executive was of the opinion that this increased foreign debt is "feasible, because its composition will change from short to long term, allowing for a certain amount of easing in the annual payment of the debt."

Individuals associated with financial groups had constantly requested this change during the past few weeks, pointing out that "the country could cautiously and rationally finance a higher level of expenditures and investments with foreign funds."

The manager of studies of the Spanish Bank expressed the views that "it would be ideal if this larger long-term foreign debt were to be converted into the purchase of machinery and other capital goods." He explained: "However, it could also be freely available."

Reduce the Interest?

In conjunction with the foregoing measure, the Central Bank announced that its program of cash rate discounts (which each bank or financial institution must pay it for the deposits that it receives) will be extended until next December. The timetable was established as follows: June, 15 percent; July, 16 percent; August, 15 percent; September, 13 percent; October, 11 percent; November, 10 percent; and December, 8 percent.

It was claimed that this greater discount on 30-89 day cash deposits would make it possible to continue the downward trend in the real interest rate on loans, which in 1977 was 56 percent per year, and in 1978, 40 percent, totaling 27 percent thus far this year.

Luis Iroume said: "There will not be any large reduction in the short-term interest rates, because the effect of this measure will be reduced by the disappearance (starting next September) of the interest which the Central Bank pays for the cash reserves of banks and financial institutions."

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CSO: 3010

NEXT YEAR'S ESTIMATED TRADE PROSPECTS WITH PRC

Santiago LA TERCERA DE LA HORA in Spanish 20 Jun 79 p 19

[Text] In the opinion of the director of the Foreign Ministry's international economic relations entity, Juan Manuel Casanueva, expressed yesterday, next year the commercial exchanges between Chile and the People's Republic of China will amount to \$10 million.

The commercial exchanges between the two countries should reach that figure in view of the agreements reached at the second meeting of the Joint Chilean-Chinese Committee, which concluded its discussions this afternoon.

Juan Manuel Casanueva, who represented Chile in this round of talks, remarked yesterday that this is one of the most important gains that have been made, and that it would be included in the final minutes, which both sides will sign at 1700 hours today.

At the meeting yesterday, which was the second day of talks, Chile was represented by the participation of the head of the Antarctic Institute, Hernan Lorca; the Foreign Ministry's deputy director of special policy, Jaime Herrera; the head of the Geophysical Institute of the University of Chile's School of Physical Sciences and Mathematics, Edgard Kausell; and the chairman of the Association of Rice Producers, Sergio de Ferrari.

Technical Cooperation

The technical cooperation which the Chinese and Chilean Governments are devising is concentrated in the area of rice growing, which the People's Republic of China has offered, and copper development, which Chile has offered in another field, an analysis was made of cooperation in seismological areas.

These matters are included in a draft agreement, which will serve as an instrument for the exchange of technicians and experts that the two governments want to implement in the future.

2909

CSO: 3010

SALE OF MIRAGE JETS UNDER NEGOTIATION

Paris LE MONDE in French 6 Jul 79 p 6

[Text] Chile has been negotiating the purchase of 16 Mirage jets from France but to date no contract has been officially signed between the two countries. The version the Chilean experts are interested in is the Mirage-50, a support aircraft specially designed for export, with a Mirage-III (or the simplified Mirage-5) airframe and powered by the Atar 9 K 50 jet engine used in the Mirage F-1.

For about 3 months now, the Chileans have been contacting people in Paris, particularly representatives of the private firm, Dassault-Breguet, and a Chilean delegation attended the last Bourget Air Show. It appears that Chile is having a lot of trouble in renewing its arms contracts with its Western suppliers, although relations with American and Israeli industrialists, regarding military aircraft, have recently improved.

According to information from reliable sources in Paris, the Chilean experts' attention has more especially centered on so-called second-hand equipment. Specifically, this could involve Mirage-5 jets, originally intended for Israel — a total of 50 have been built — then placed under embargo by France and later bought back with the aid of French Air Force loans.

This aircraft, powered by the SNECMA [National Corporation for Aircraft Engine Design and Construction] Atar 9 K 50 jet engine used in the Mirage F-1 air defense interceptor, is designated as the Mirage-50 and its range of use is broader than that of the earlier versions of the Mirage-III (or Mirage-5) inasmuch as its range of action is increased and it can carry heavier loads.

In Latin America the Dassault-Breguet combine has already sold Mirage-III's or Mirage-5's to Argentina, Venezuela, Peru, Colombia and Brazil, and Mirage F-1's to Ecuador. In some of these countries, like Argentina, the Israelis provide some of the technical maintenance for Mirages in service, and have succeeded in selling some of their older Mirages when France, for various reasons, did not want to deliver new models to its customers.

11,466
CSO: 3100

BRIEFS

ANTONIO MACEO BRIGADE--The "Carlos Muniz" second contingent of the Antonio Maceo Brigade today concludes its stay in Pinar del Rio after three days in which they have toured sites of economic, social and tourist interest. The young people who are part of the Cuban communities located in the United States, Puerto Rico, Venezuela, Mexico and Spain arrived early on Saturday morning in that province and the first site visited was the sugar mill under construction, the 30 de Noviembre, located in San Cristobal Municipality. [Excerpt] [Havana Domestic Service in Spanish 1600 GMT 6 Aug 79 FL] This morning the second contingent of the Antonio Maceo Brigade arrived on the Isle of Youth, the last stop on a tour throughout the country which included visits to the provinces of Holguin, Santiago de Cuba, Cienfuegos and Pinar del Rio. At the ferry dock in Gerona, Isle of Youth, the brigade was received by a group of Pioneers and leaders of the PCC and government, headed by Felix Mojena, second secretary of the PCC on the Isle of Youth special municipality. [Excerpt] [Havana Domestic Television Service in Spanish 1700 GMT 8 Aug 79 FL]

NEW RADIO STATION--A new radio station called La Voz del Niquel has been inaugurated in the municipality of Moa, Holguin Province. The modern installation will be heard in Moa, Sagua de Tanamo and Frank Pais and is equipped with Hungarian equipment. [Havana Domestic Service in Spanish 0011 GMT 25 Jul 79 FL]

CSO: 3010

DOMINICAN REPUBLIC

GUZMAN'S ECONOMIC POLICIES ATTRACT VENEZUELAN INVESTORS

Caracas EL UNIVERSAL in Spanish 10 Jul 79 p 2-12

/Article by C.R. Chavez: "Challenge and Response of an Island Society (Part II): Venezuelan Private Investors Attracted by Favorable Climate Created by the Dominican Republic's Economic Policy"/

/Text/ Staggering under the twin blows of constantly falling international sugar prices (sugar is their main export product) and the incessant rise in oil prices, the Dominican economy is in a crisis.

However, the country offers a wide range of resources and opportunities for agricultural, industrial, tourist and agroindustrial development and investors from a variety of countries are looking at these possibilities.

The first agreement has already been signed for a joint Venezuelan-Dominican investment of \$27 million in a tourism project and details are being finalized for the construction of a cement plant.

There are several factors which have determined the relative weakness of the Dominican Republic's economy although two events have stood out. First, the abrupt drop in international sugar prices (whose level is below actual cost) and the continually climbing oil prices which represents an additional expenditure of \$90 million this year for that country. And since \$90 million is more than 15 percent of the foreign exchange that the country might obtain in 1979, the situation is, then, very serious. Therefore, it is urgent for Dominicans to look for partners in friendly countries and interest them in investing in industrial and tourist projects on the island by providing very favorable conditions.

On 25 April Eduardo Fernandez Pichardo, governor (president) of the Central Bank of the Dominican Republic, speaking to the American Chamber of Commerce in his country, said with respect to economic activity in the Dominican Republic in 1978: "As is well known, 1978 was a peculiar year for all activities in the nation because of the presidential elections.

The election process of itself has a paralyzing effect, as the President of the Republic correctly said, not only because this leads to a change of government but because generally it implies that economic policy will be reoriented, unsatisfactory practices corrected, various institutions placed on a sound footing and, lastly, the logical adjustment of economic sectors to the new realities." "In addition to these aspects," he added, "1978 was characterized by worldwide imbalances resulting from the instability of the major currencies, particularly the dollar, and towards the end of the year by OPEC's announcement that it was raising the price of oil thereby creating an imbalance in world trade."

Economic Policy

The large group of Venezuelan businessmen (investors and promoters) gathered in the large meeting room in the Central Bank's modern building in Santo Domingo were there at the invitation of the Dominican government to attend a work session. The session began with a brilliant speech by Jaime Alvarez Dugan, Technical Minister of the Presidency, equivalent to our Minister of Planning. The minister very eloquently described the political and philosophical structure of Dominican society and the state. He then went on to discuss "The Policies and Goals of the Government." The following remarks were taken from his speech.

"The foreign investment policy of the government of the Dominican Republic is shaped by the nation's general economic policy whose goal is to restore the rate of economic growth and to distribute the benefits of that growth in a more equitable fashion. Achievement of these goals requires joint action by the public and private sectors to accelerate the rate of capital accumulation and to direct investments to those sectors which will increase the rate of employment and our exports."

"The government's action," Alvarez Dugan added, "is designed to bring about specific objectives, including some of the following:

- a) attain not less than a 5 percent rate of growth of the Gross Domestic Product during the 1979-1982 period;
- b) guarantee that increasingly larger sectors of the population find stable and paying jobs and achieve a permanent improvement in the standard of living;
- c) make the economy less vulnerable to external events by diversifying exports and increasing export earnings by actively defending the international price of our exports;
- d) and establish a foundation for the exploitation of our natural resources and thereby change the economy."

"In allocating public resources, the government gives priority to the production of food and improvement of social services.

"Given the present production structure, the agricultural sector should receive greater impetus during the present administration. Within this sector, particular emphasis is being given to increasing food production, the production of industrial raw materials and goods for export.

"The increased production of food will lead to an increase in the purchasing power of real wages and this in turn will have an impact on the domestic market. For its part, increased production of agricultural raw materials for industrial use will lay the groundwork for the development of an agroindustrial sector by eliminating one of the factors hampering its growth: a steady supply of raw materials."

"As a complement to the government's action, it is necessary to expand both foreign and domestic private investment. To this end we have been following a policy designed to create investment opportunities in areas that are directly productive. We wish to attract foreign investment not as a competitor to domestic investors but rather to complement them. This would be done through joint ventures in projects for which our financial resources are insufficient, projects requiring technology not available to our investors or where the complexity of the international market make necessary partnership with foreign companies.

"Another area where the two can complement each other involves investments made strictly with foreign funds since the need for semi-processed production materials can be supplied by national producers."

"Specifically, and this is not meant to be an exhaustive list, the areas to which we would like to attract foreign investment are:

1. In the agricultural sector, fish breeding, horticulture, fruit tree cultivation, floriculture and forestry, particularly the planting of fast growing trees to be used for lumber and energy.
2. In the industrial sector, (a) industries which process agricultural products, in other words agroindustries, particularly those producing for export; (b) industries which process minerals extracted in the country; (c) intermediate and capital goods industries; and (d) assembly plants producing for export.
3. In mining, the government has decided to exploit, whenever necessary, our mineral resources together with foreign capital under conditions which will guarantee high economic yields for the nation and a reasonable profit for foreign capital.
4. Tourism is given high priority in the government's plans and foreign investment is welcome in this sector in Puerto Plata, La Romana and Santo Domingo. In addition, the southeastern region has great potential for development of the tourist industry.

5. Investments in the nation's free zones are being granted strategic importance. These are being given preferential treatment as regards customs, exchange and tax regulations as well as other laws."

"It is important to point out," Alvarez Dugan concludes, "that the nation has legislation which clearly establishes the rules for dealing with foreign capital. This law clearly defines the procedure to be followed in accepting foreign investments and the regulations governing profit remittances and exchange and tax treatment. This definition of the rules of the game provide the foreign investor with assurances that they will be protected from sudden changes and arbitrary policies."

The specific results of the offer made by the Dominican Government and the contacts made by a majority of Venezuelan businessmen who visited Santo Domingo--whom we accompanied during their stay--are gratifying. First, an agreement was signed for a joint Venezuelan-Dominican (40-60) investment of \$27 million in a tourism project and the groundwork was laid for another, larger investment in the construction of a cement plant. In addition, progress was made in defining joint projects in housing and construction as well as in agroindustry. These might be finalized within the coming months. To keep interest in these initiatives alive, a Venezuelan-Dominican Committee was formed at the urging of Ambassador Reinoso. The committee will meet in Caracas on Saturday the 14th to examine possible ways for expanding cooperation between the two countries through private investment in highly promising areas in the Dominican Republic.

8599

CSO: 3010

PC, PCE MEMBERS ATTACK CFP-PC POLITICAL PACT

Quito EL TIEMPO in Spanish 19 Jul 79 p 3

[Text] Guayaquil--Atty Laureano Ruiz Nunez, alternate director of the Guayas Conservative Central Committee, today criticized the organization for being made up of foreigners and for being corrupted by money when it elected Retired Col Rafael Armijos Valdivieso as director general of the party. He claimed that Colonel Armijos had never worked for the cause of conservatism, much less for the good of the country.

Atty Ruiz Nunez maintained that there is no ideological leadership in the party right now, nor is there a general directorate or provincial directorates. The only thing that counts is the authoritative voice and arrogance of the so-called director general and the coterie of friends who dance to the tune played by their master. They skilfully attempt to cover up errors, putting up a nice facade to conceal situations that are a disgrace to conservatism, such as the pact with the Concentration of Popular Forces (CFP).

Body Count

The conservative leader added that the above-mentioned alliance has only the purpose of increasing the body count, a relative and transitory factor, instead of fighting for the eternal factors, such as the ideal of working for the good of the country in an arduous struggle, a noble and loyal battle in the trenches of social and political progress. They have been unable to resist the temptation to become bogged down in a bureaucracy of high living and good times; they have thus destroyed the honor, dignity and prestige of that political party.

Atty Laureano Ruiz Nunez also indicated that an attempt is being made to threaten the Guayas Conservative Central Committee in order to scare it out of telling the truth. This committee's very *raison d'etre*, however, is the solution of the disastrous problems facing the party. It came into being in order to struggle for ideological purity and honesty in party procedures, and especially to fulfill a historic commitment after having fought against two military dictatorships.

Opposition Was Better

He noted that if the group that claims to represent the party were to remain loyal to its principles and work with dignity and honor (since the Conservative Party was the moving force behind the Constitutionalist Front) instead of supporting the above-mentioned pact, it would speak out in the name of the more than 500,000 voters who voted for architect Duran Ballen, and form a constructive opposition to the incoming administration. It will have to counterbalance the power of that administration and avoid possible extremes.

Unjustified Pact

The Communist Party, on the other hand, says that Mr Bucaram will never be able to justify the pact because despite his campaign promises to renew the forces of change and similar elements, now he has entered an alliance with the most reactionary sector of politics. This sector "has always managed to stifle innovative ideas, as it did when it reached an agreement with the Liberals on the ideas of liberty." Bucaram's policy, they add, is in contrast to the correct position of Mr Roldos on the Nicaragua problem, a position which involves solidarity with a people struggling for progressivism.

8926

CSO: 3010

DOBRONSKY DISCUSSES RENEWAL OF CUBAN RELATIONS

Quito EL COMERCIO in Spanish 19 Jul 79 p 3

[Excerpt] The reestablishment of consular and commercial relations with the Government of Cuba is the result of negotiations that have been carried out on an international level, according to the secretary general of the Administration, Col Enrique Dobronsky in a statement to the press.

The official was asked by a television reporter to indicate the reasons why the decision to continue relations with Cuba was not made sooner.

The spokesman for the government answered that the foreign ministry would have to respond to that question. However, he added, "I can say that it was the result of a series of international talks. More than anything else, it was the product of the close relationship between our two countries, and relations within the Andean Group. It was also the consequence of the international gesture made by the foreign ministry, and was put to the Supreme Government Council for its consideration."

The administration, in its wisdom, having studied the international scene, saw the urgent need--even in the talks with the president-elect--to hold talks with the Government of Cuba, according to the official. They planned to renew relations with that country in the near future, as well as relations with other countries we have had ties with in the past.

Would the question of diplomatic relations be left up to Roldos?

Col Dobronsky answered that this is within the context of the talks being held with the president-elect. "The country," he added, "must continue not only its domestic activities, but also its international life."

For this reason, he said, the government in its contacts with the incoming administration has tried to set an example, so that when the latter takes over on 10 August it will have some guidelines as to what has been done on the national and international scenes.

8926

CSO: 3010

PETROLEUM EXPORTS INCREASE IN FIRST PART OF 1979

Quito EL COMERCIO in Spanish 13 Jul 79 p 15

[Article by Marcelo Eguez Toro]

[Text] Petroleum exports for the first 5 months of this year reached 18,605,809 barrels, which means an increase of 3 percent over those of the same period in 1978.

Moreover, export permits granted in that period amounted to a total of \$281.7 million (7.043 billion sucres), a 41 percent growth since the same period of last year. This figure is a decisive factor in the growth of national exports and in the balance of trade, which was a positive \$78.9 million (1.973 billion sucres, approximately) during that period.

The advantageous price situation in negotiations for Ecuadorean crude during the first months of this year favored income from sales abroad.

Oil Shipments

The Ecuadorean State Petroleum Corporation (CEPE) shipped 12,140,003 barrels of oil between January and May of this year. Of that amount, 777,130 barrels were royalty oil, negotiated by CEPE on the foreign market; 604,944 barrels were to be used for compensation.

The total figure reflects a rise of 6 percent in exports, as compared with sales during the same months of 1978. There was also a 136 percent growth with relation to the immediately preceding month of this year.

The Texaco consortium, for its part, exported a total of 6,354,958 barrels of petroleum during the first 5 months of 1979, of which 362,925 barrels were crude oil. This period's shipments for that company experienced a 4 percent drop compared with the volume of exports for the same period of 1978. There was a 79 percent decrease in comparison with the shipments of the month immediately preceding that period this year.

The City Investing Company exported a total of 107,148 barrels in the first 5 months of 1979, of which 11,796 barrels were slated for compensation. CEPCO, which operates in association with CEPE, exported 3,7000 barrels, all of which were compensation crude.

The total volume of exports reveals an increase of 3 percent in comparison with sales of the first 5 months of 1978.

Income Behavior

According to statistics released by the Central Bank, oil exports allowed under documents issued by the appropriate authorities reached a total value of \$281.7 million (7.043 billion sucres) for the first 5 months of 1979, an increase of \$81.7 million (2.043 billion sucres), or 41 percent, over the same period in 1978.

The upward trend experienced in the sale prices of crude oil in the early months of this year resulted in a growth in oil revenues coming from spot sales as well as contract sales, due to the automatic readjustments applied by CEPE.

Moreover, the recovery of oil exports in terms of volume did not have much influence on the upsurge in crude oil prices, but did have an effect on the final figures for national exports, amounting to 42 percent of our sales abroad.

In fact, of the \$669.4 million (16.735 billion sucres) total sales abroad for Ecuador between January and May of this year, oil exports represented the highest percentage (42 percent). Oil made up 60 percent of all raw materials sales.

Considering that oil sales have declined in Ecuador's foreign trade since 1977, the first 5 months of this year reflect a sudden change in export behavior. This resource has had a decisive effect on the nation's revenues, and has helped the national budget as well as the sectors whose activities are related to the petroleum industry.

8926

CSO: 3010

NICARAGUA

RECONSTRUCTION TO COST \$2.5 BILLION

Bogota EL SIGLO in Spanish 31 Jul 79 p 6

[Text] San Jose, 30 July (EFE) -- The reconstruction of Nicaragua will cost 2.5 billion dollars and require ten years to carry out said Alfonso Robelo, member of the revolutionary government of that country, to the Costa Rican newspaper LA NACION.

The member of the National Reconstruction Council (Junta de Reconstruccion Nacional, JRN) and prominent Nicaraguan businessman stated that the first stage of that work (that includes reorganizing the economy, construction of infrastructure facilities, and the supplying of such services as health, transportation, education, etc.) will be carried out within six months and will cost 850 million dollars.

Robelo stated that many foreign aid offers have been received and said that, during his visit to Caracas this week, the aid offers made by the Andean Pact countries (Venezuela, Ecuador, Peru, Colombia and Bolivia) will be made firm.

During the first stage of the reconstruction of Nicaragua -- almost totally destroyed after many months of cruel war -- it is planned to work on the areas of food supply, health and public safety.

Imports will be limited to strictly essential items.

During the second phase of the plan, the international monetary reserves (which currently show a deficit of 350 million dollars) will be restored.

Finally, there will be carried out the task of regularizing the foreign debt, which currently amounts to 1.3 billion dollars.

Robelo, accompanied by Roberto Mayorga Cortes, the Nicaraguan Planning Minister, will participate in a meeting of the Latin American Economic System (SELA) at which he will expound the most pressing needs of [his] battered Central American nation.

CSO: 3010

PAP POLITICAL COMMITTEE CHAIRMAN INTERVIEWED

Lima EL COMERCIO in Spanish 20 Jul 79 p 4

[Interview with Dr Luis Alberto Sanchez, former first vice-president of the Constitutional Assembly and current president of the Political Committee of the Aprista Party of Peru (PAP), on 19 July]

[Text] Dr Luis Alberto Sanchez, former first vice-president of the Constitutional Assembly and current president of the Political Committee of PAP, suggested yesterday that a far-ranging dialog be undertaken with the government in order to establish a firm basis for the transfer of power.

Reiterating his faith that the process of transferring power will be completed by 28 July 1980, Sanchez noted that the general elections should be held the following month at the latest.

Sanchez stated that the dialog with the government and all the political parties should follow a formula. He said that in addition to the "hinge" proposal of the Constitutional Assembly, his party supported the so-called "fixed point" proposal. The party had been advocating that approach for 2 years.

Sanchez made these statements during the course of an interview with EL COMERCIO which covered various aspects of current politics. That interview follows:

[Question] Dr Sanchez, what in your opinion is the best aspect of the new Political Constitution of Peru?

[Answer] I think the part governing human rights is excellent. Looking at the part concerning the economic system, which at first seemed to be very conservative and subject to much criticism, I think it is not bad. There are articles such as 110, which bases the economic system on pluralism, social justice and labor, three principles directly related to the most progressive ideas. I feel that Articles 113 and 114 contain the means for the state to intervene in and even reserve entire sectors of the economy for itself, when the interests of society or of national security demand it. The state can also permanently take over businesses. Article 137 is also noteworthy; it is practically a compendium of anti-imperialist and American Revolutionary

Popular Alliance (APRA) thought, in that it provides that foreign capital may come in as long as it is not in a hegemonistic fashion; it must involve the support of national capital and manpower, and must also be completely under the jurisdiction of Peruvian courts. On the other hand, there are aspects that are not so good; for example, the excessive regulation of the Central Reserve Bank. It seems to me excessive to have seven directors, as the constitution stipulates, but we had to let it in as part of all the compromises. With regard to the definition of the state, I think that to agree definitively that all Peruvians over the age of 18 may vote, regardless of sex and education, is to open the floodgates of democracy, while insisting that the state be defined on the basis of labor means changing from a state of manual laborers and intellectuals, to a state based on labor. Furthermore, I believe that the worst thing has been the elimination of the National Economic Congress, which could have been approved, but in such a weak state that even we would not have accepted it. I also think the idea of run-off elections is bad, very bad, but it will not last; it will not stay in the constitution, I am sure. I think it is an apish imitation of something that did not work well in the first place. It did work in France, where De Gaulle did it in order to control the left, that is, with a specific political end. It has also worked in Ecuador, where there was a year between the primary and the run-off election; in Argentina, it has not worked for all intents and purposes. Here it only applies to the executive branch; I think it also should have been done for the legislative branch, so that the Senate and the Chamber of Deputies have the same proportions. In sum, I think it is too costly, too much of a waste, a total loss. If a presidential candidate gets 51 percent of the popular vote, he doesn't necessarily have the greatest popular support. In the second run-off, the people are forced to vote, so it is a totally coercive election. Mr Bustamante y Rivero, I repeat, had 67 percent of the popular vote, but he did not get a majority in the Congress, and the result of that election is well known. The cooperation of the branches of government and a congressional majority, or at least a majority alliance, give a lot more authority to a chief of state who has moderate popular support, than a majority of popular votes without the mechanism of democracy functioning correctly and in a coordinated manner.

[Question] What is your point of view concerning the problems of teachers?

[Answer] The teacher problem is twofold. On the one hand, there is the lack of pay for teachers. We have been concerning ourselves with that problem for a long time, since we passed Aprista laws which practically doubled teachers' salaries. We considered them key people in the democratization and progress of the nation. But the children and youths of this country should not have to pay for that, because last year there were 81 days without classes, and the difference has not been made up. This year they have already had 45 classless days, so in 2 years the total will be about 120 or 130 days, a whole semester. This is absolutely unfair, in my opinion. I understand that the two injustices are already a fact, but it hurts me as a teacher to know that the lack of instruction is being aggravated as a result of the imbalance in the nation's educational process.

[Question] How do you see the government's economic policy?

[Answer] As a consumer, I do not think it is a good one. I do know that my income is worth less and less each day, so I have to give up more and more; first secondary items and now primary necessities. I think that the physical and nutritional impoverishment of the people of Peru is a fundamental factor in any economic policy, and this has been ignored. I know that the policy is now being changed to include some subsidies, which is inevitable given the skyrocketing prices of goods resulting from monetary devaluation. I know that there is a wheat subsidy, as well as a subsidy for rice; there is even an indirect one for gasoline for the time being, which has taken away some of the taxes on kerosene, but that is not enough. The policy that has been followed is, in my opinion, suicidal. A policy of placing the entire burden on the shoulders of the people, making unproductive expenditures, has been followed for the first 7 years of the 11 years of our military rule. Now, if the current policy is designed to solve these problems, we need to tighten our belts more. I cannot applaud it even if it is the only way out; it cannot be praised because it is demanding an excessive sacrifice on the part of the Peruvian people.

[Question] Mr Alva Orlandini maintains that the Fifth Provisional Section of the new constitution implicitly sets the date for the next elections. What do you think about that?

[Answer] No. Let's not joke around. What that section says is that the system set up in a given law is the one that should apply, but how can there be a date in that? No way. It seems to me a rather eschatological joke.

[Question] What must be done in order to implement the "hinge" you have proposed for the pre-electoral stage?

[Answer] In the first place, we will have to see if there is a blacksmith to make the hinge, and if there is enough metal to make it. My idea has always been from the beginning that what is needed is an agreement among a group of democratic parties that are not a unit, an alliance or a pact, but a group that has reached an agreement on certain essential points for the purpose of putting them up against the government's and armed forces' points of view, in a heart-to-heart dialog between individuals and forces. Today the dialog between the government and armed forces on the one hand, as a compact, organized and well-established unit, and each political party on the other hand, does not make for good relations, in my opinion. They made it appear that it was the Constitutional Assembly that wanted to survive, but that is a joke in very poor taste. Nor was Popular Action going to remain out of the picture. The nature of the possible entity had not been defined, and I think my idea is still valid: it will be attained no matter what formula is used. The so-called fixed point pact, which the *Asstas* proposed on 29 August 1977, I believe, states that the democratic parties should reach an agreement on certain matters in order to respect each other's positions and commit themselves to attaining their goals, regardless of the election results. That pact contains the idea of the "hinge," and I don't think anyone can deny it.

I think that all civilians desire to behave civilly, with a unified front of civility toward the military, not to oppose the latter but to enter into a dialog with equality of positions and of forces.

[Question] What is your opinion regarding the proclaimed union of the leftist forces?

[Answer] I suppose they will achieve it. It will be a miracle, because in the Constitutional Assembly they have shown such disunity, that I don't know if they can. They strictly adhere to written, printed texts instead of facing reality. If they do not confront reality, they will have a hard time achieving lasting and fruitful agreements, because reality governs politics and the state needs to pay attention to it.

[Question] What do you have to say about the transfer of power?

[Answer] I am confident that it will happen on 28 July 1980. I understand that that is the way it will happen, but the military government is taking the necessary steps to dampen people's confidence in that. I think there is a lack of the essential advice or consultation or "hinge." We must do everything that is necessary to make the transfer of power timely, speedy, peaceful and at the same time replete with juridical majesty. I believe that even the government should promote or encourage or suggest a far-ranging dialog so as to better define the scope of the transfer, and to improve the conditions or circumstances. I do not feel that the call for elections should happen any later than August. September has been mentioned, but I feel that is too late. I know that we need to pass an electoral law implementing the provisions of the constitutions, but that has all been foreseen; it is in progress.

8926

CSO: 3010

BELAUNDE OUTLINES MAJOR ISSUES IN EXCLUSIVE INTERVIEW

Buenos Aires LA PRENSA in Spanish 15 Jul 79 p 10

[Interview with former Peruvian President Fernando Belaunde Terry by Emilio Oliva, date and place not given]

[Text] Lima--Former Peruvian President Fernando Belaunde Terry believes that he can once more serve as head of state of his country. He claims to have the necessary personnel, economic plan and votes. He affirms that he is not out to take revenge against those who overthrew him in 1968.

Belaunde, an architect by profession, is 66 years old. He went into exile after being overthrown, and has a reputation for being honest. He is considered to be a progressive liberal, politically.

He says that the greatest satisfaction he got out of his 5 years as president was "constructive public work." He confesses that he was annoyed by parliamentary quarrels and ambitions. His critics accuse him of being rather politically naive.

He spent part of his time in exile teaching at five U.S. universities. Now he is involved in developing his election campaign and his party, Popular Action. In an exclusive interview with the news agency EFE, he talked about his ideas and plans.

Fernando Belaunde believes that his return to the presidency will be made possible because "the electorate is a great tribunal which will pass judgement on a party that has been persecuted and reviled."

In his opinion, his party and the American Revolutionary Popular Alliance (APRA) both have one-third of the vote on paper. They are followed by the conservative Popular Christian Party. The Marxist left will fail in the upcoming elections "if the military government does not make the mistake of persecuting them."

The politician is of the opinion that the constitutional government will take over a country in a serious economic crisis. But he remains convinced that "great problems require great solutions."

If he is elected, he will begin his activities at two points: denationalization and the generation of jobs.

The denationalization would affect half of the 174 regional corporations that exist today. The energy sector and some public services will remain under state control.

The creation of employment, according to Belaunde, will concentrate on public works and the productive sectors, and an effort will be made to avoid the creation of unproductive bureaucratic jobs.

Unemployment and Energy Strategy

Currently unemployment and underemployment affect half the work force, about 2 million people. The leader of Popular Action (AP) believes that there is an urgent need to create 1 million jobs.

By increasing employment, moreover, production will rise and food supplies will grow, expanding the amount of land under cultivation and penetrating jungle regions.

In the medium term, Belaunde sees the need to utilize hydraulic resources as a source of energy.

"In the Andes Mountains," he states, "Peru has an installed capacity of 2 million kilowatts. Feasibility studies indicate there may be 48 million kilowatts, and there is a proven potential of 139 million."

Hydraulic energy is renewable; it does not present the threat of nuclear power, and in the future it will be exportable, he points out. "We Andean nations are the Arabs of the future," concludes the architect.

As a politician, he calls the 11 years of military rule "the freezing of the people's expectations."

Concerning the possibility that once he is elected he will hold his de facto predecessors responsible for their actions, Belaunde states that he will limit his government to the dictates of the constitution and of the laws that exist; he will not try to take revenge.

"The actions of four or five bad politicians of the armed forces do not condemn the military in general," he claims, "A bad priest should not lead us to renounce our faith."

Belaunde says that the current president, Gen Francisco Morales Bermudez, is a "proper leader," and points out that his cabinets included a total of 15 military people, and he would do the same again "if their talents were needed."

Concerning the press, a very delicate issue, he says, "if the new constitution had any restrictions on the press, I would ask Congress to eliminate them."

Belaunde expresses his support for run-off elections, because "they prevent extremism and assure a strong, moderate and mature government." The upcoming elections will require the winner to obtain 36 percent of the votes.

Need for Coalitions

He does not seem to want to join any coalition with other groups for the 1980 elections, but he does admit the need for coalition governments.

"The next constitutional government, unless it tries to find a broad base, will run the risk of another military coup," he claims.

On the international scene, Belaunde feels that Peru must follow its traditional pattern of ties with England, the United States, Germany and Japan, while expanding its economic relations with Spain.

He proposes that Peru regard the rest of the Third World as its "companions in misfortune," and says it is "unrealistic" to think that ties with the northern part of the hemisphere will be broken and replaced.

"The United States is a market of 213 million people. Each one of them consumes what six people consume in the rest of the world. Anyone who doesn't take advantage of commercial relations with the United States, given those circumstances, is out of his mind," he maintains.

The Andean Pact for Fernando Belaunde is "a step forward" and "an integrationist solution," but in his opinion, in South America, the formula for balance "is the unity of Spanish-speaking nations."

Bolivia's status as a land-locked nation should be resolved without the threat of war, he claims, but "the solution lies in the hands of Chile, although Peru should do everything to ease the way."

The border disputes with Ecuador, according to Belaunde, are "a resolved issue," since "the delimitation was agreed upon in Rio, and treaties must be respected."

With regard to the currently cold and sometimes tense relations with Chile, Belaunde states that "there is nothing in our history to justify the catastrophe of a fratricidal conflict."

Brazil, finally, is a nation "with a very vigorous economy" but "without belligerent intentions," according to the Peruvian presidential candidate.

For Belaunde, the international politics within the Americas provide a basic norm for the implementation of the theory of "the more diplomacy there is, the less belligerence there is."

8926

CSO: 3010

PCP BOSS DEL PRADO MAPS STRATEGY FOR LEFTIST UNIFICATION

Lima UNIDAD in Spanish 14 Jun 79 p 3

[Article by Jorge del Prado, leader of Peruvian Communist Party]

[Text] Unification of the left, which in recent decades has taken place in a preliminary, makeshift fashion, is now an urgent necessity inseparably linked with the principal problems of the political situation, especially with the prospective transfer of political power.

Why Unification, and Why Is It Urgent?

Although--as people know--it is a demand heard or read at all workplaces, at people's meetings and in the writings and speeches of revolutionary leaders, it will not be possible to take full notice of it if we do not begin with a careful analysis of the present moment and of the direction in which events are moving.

We need to bring together enough organized mass power to halt the reactionaries' economic and political offensive and to resist the IMF's neocolonialist demands and the simultaneous antidemocratic, submissive actions of the present government, the APRA [American Revolutionary Popular Alliance], the PPC [Popular Christian Party], the Belaundists and the remnants of Odria's and Prado's groups; to defend the anti-imperialistic, anti-oligarchic and socially-progressive advances achieved in October 1968; to obtain the modification or overturning of the new constitution's regressive provisions and to insure the realization of the new social rights set forth in this fundamental charter; to assure a clean, democratic electoral process; to prevent an electoral victory by the enemies of the people; to ward off a military coup; to defend the people's possible electoral victory; to carry out, in that event, an anti-imperialistic, progressive administrative plan and program; and, in the worst of cases, to successfully resist the application of the most reactionary, antipatriotic provisions of the new constitution which the submissive, antiworker, antipeople government would impose at will with the protection of the present government, the Yankee State Department, the multinationals, the Pentagon and the CIA.

Considering the magnitude of these tasks, which amount to a true historical crossroads, there is no alternative to unification of forces and energies, bearing in mind that in carrying out these tasks we will perhaps engage in the most significant battles to have occurred thus far in the history of our country's truly democratic, revolutionary, progressive front . . . battles which, for that very reason, will test the left as a whole and each of its parties and groups individually.

A Major, True Possibility

Will it be possible, and easy, to carry out this task?

The last election, which led to the formation of the Constituent Assembly, and the acts performed in the assembly have demonstrated that not only is it possible but such a possibility lies in the very dynamic of events. The great nationwide strikes by workers and a large segment of the population in July 1977 and May 1978 demonstrated the maturity reached during the last decade by organizational and political skills, by the will to unify and by the combativeness of the working class and masses of people closest to it. A preliminary assessment and summary of the left's conduct in the Constituent Assembly vividly illustrates how it has been maturing in this important battle front. In both the stage preceding the debate about the draft constitution and during the debate itself, there was much more agreement on positions than there was ideological and programmatic divergence, to the point that the left's vote was not uniform in only a few instances. I am not referring, of course, to the attitude of the Trotskyist group, which, with its peculiar, counterproductive tactics, abandoned this trench during the last months. In the light of this dynamic, the influence of the workers on battle footing was making itself felt with increasing sharpness and force, and there also was occurring a complete polarization of groups, an expression and reflection of the deepening of social conflicts and the class struggle outside of the assembly. Because this dynamic is still operating, why is it not possible--and, at the same time, essential--to forge unity within the left in the face of present, approaching and future battles?

The Leftist Front and the Contradictions in the Enemy Camp

This dynamic, meanwhile, has revealed something which is very significant that increases even further the importance of the effort to unify. We are referring to the contradictions in the enemy camp. While trying to torpedo leftist assembly members' support of the workers' just struggle for rights and to ingratiate themselves with the American imperialists, the multinational government, those representing the APRA, the PPC and their satellites formed a single "majority" front in the assembly for the subsequent position, in the drawing-up and approval of the draft constitution, of the same submissive, regressive positions in the two basic areas which determine the class content of every political charter: the /economic system/ [in boldface] and the /structure of the state/ [in boldface].

They even acted and voted together in beating a tactical retreat in the face of pressure exerted by the workers, the people and their representatives in favor of new social rights, which were thus included in Title I of the new constitution. These are new rights which, including propositions borrowed from the Universal Declaration of Human Rights, which even President Carter now demagogically holds high, are for the time being only a smoke screen, for their actual institution depends on the law; that is, what the parliamentary majority of the next government decides. However, this strategic and tactical unity of rightist assembly members has begun to crack during the closing stages of the assembly's term in the face of the articles most directly and specifically related to the possibilities of access to the next government, to the attainment of political control. Whereas the APRA, reduced now and with its unity threatened by Haya's terminal illness, believes that it can win an election with at most the percentage of votes it received in the previous election and thus favors permitting election of the president with 33 percent of the vote, allowing Congress to choose between two candidates only if none receive that percentage, the PPC, convinced that it cannot win by itself, is supporting election of the president with 50 percent of the vote and a second electoral round, also involving only two candidates, if none attain that percentage in the first. That issue and the APRA proposals regarding the "Economic Congress" and the nature of the state have resulted in the rightists' conflict's bringing the assembly to a standstill. This impasse, however, has in turn made the unity on the left clearly appear to be a decisive, resolute force. Neither the APRA nor the PPC will be able to escape from the impasse without taking into account that force and its own demands, which are the people's demands. The leftist parties in the assembly, particularly the PCP /Peruvian Communist Party/, which is striving above all to maintain unity, are attempting to obtain at this juncture the greatest possible advancement of democratic rights and guarantees for the workers and for the interests of the people and the nation.

The Conditions and the Correct Road to Unity

The validity of the left's experience refers, however, not only to what it does at this juncture with respect to its possibilities in the next election but also to its constitutional importance in relation to the future. If the 33 percent attained in the election for the Constituent Assembly has enabled the people's representatives to incorporate into the new constitution new social rights, the right for illiterates to vote and democratic election of municipal councils; and if there is a growing possibility of counteracting, at least in part, the antidemocratic, reactionary, pro-imperialist measures approved for the economic system; if this is possible, despite the schisms and the complete absence of some leftist assembly members (among them the only one who indirectly obtained the "majority" split), it is pertinent to reflect on what a more solid, more responsible unity could have achieved and can achieve. However, this solidity and

and political consistency are not simply a matter of number. Quality is the most important thing. This is essential for coming events. First of all, quality means that the front is to be forged with much greater importance being given to the common program than to individuals. Second, it means that those composing the front will remain fully aware of who the real chief enemies of our people are and will not serve as those enemies' tools and Trojan horses, practicing pseudoleftist anticommunism along with those who craftily attack true socialism and the Peruvian Communist Party with the same arguments of McCarthyism and imperialism. Third, it means that within the framework of agreement on a single program each party's political independence is to be respected. Fourth, it means that nobody is to desert along the way or be opportunistic, seeking a "cut" for himself.

That is what we communists demand of and, at the same time, offer to our allies.

Lima, 12 June 1979

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OIL INDUSTRY FINANCIAL REPORTS, INVESTMENTS REVIEWED

LAGOVEN Annual Report

Caracas EL UNIVERSAL in Spanish 4 Jul 79 p 21

[Article by C. R. Chavez]

[Text] LAGOVEN, subsidiary of the Venezuelan Petroleum Company (PETROVEN), will invest over 3 billion bolivars in its 1979 operations. This is the highest sum ever invested by the enterprise, even topping the 1978 figure, which was a record. The figure, taken from the company's 1978 summary of activities, points to its increasing growth. One of the most significant achievements has been the company's considerable increase in the volume of sales to customers outside the traditional group. Such sales went from 115,000 barrels per day in 1977 to 299,000 barrels per day in 1978, a 60-percent increase.

In its 1978 program of exploration for traditional areas, LAGOVEN discovered new deposits of light crude oil in the Cretaceous layer of Lake Maracaibo and new deposits of heavy crude oil at El Salto, south of Monagas. In new areas covered by a special program of explorations, there were discoveries in the Urdaneta Corridor and Lake Maracaibo. In addition, a well drilled in Alturitas in the Perija District of Zulia showed good signs of the existence of oil.

Offshore drilling for oil also yielded promising results. The first two wells (Guarao 1 and Orinoco 1) drilled in the Deltana zone were dry but they made it possible to obtain valuable information for the overall evaluation of the oil potential of the eastern region. As just announced, the third well, called Patao 1 and drilled this year north of the Paria Peninsula some 200 kilometers east of Margarita, resulted in the discovery of a gas formation and tests have yielded a production of some 90 million cubic feet per day.

In 1978, LAGOVEN began feasibility studies and planning for the development and drafting of a project for the Orinoco Oil Belt in the southern portion of the state of Monagas. It is thought that these studies will be ready to be submitted for the consideration of the parent company by the end of 1981.

In its report, LAGOVEN points out that one area deserving of special attention in 1978 was the maintenance of its production capacity, which remained at a level similar to that of the previous year thanks to an increase in the number of wells drilled and repaired, an activity complemented by secondary recovery programs.

Concerning modification of the Amuay refining method, the enterprise points out that it is continuing its operations in keeping with the original schedule. Venezuelan enterprise are actively involved both in the phase of engineering and design as well as the supplying of various goods and services. It is estimated that over 2 billion bolivars will be invested in the national market in connection with these activities. Some 4,500 persons will be working on the project when construction reaches its peak. Completion of the project is expected during 1982.

The increasing rate of activities caused LAGOVEN to hire more personnel in 1978. Over 800 workers, including 260 engineers, entered the company. Between the time that LAGOVEN began activities on 1 January 1976 and 30 April of this year, it recruited nearly 650 professionals in the field of engineering and related activities. The total number of workers at the present time is 9,900.

In information released to the media, LAGOVEN also emphasizes the effort devoted to training and developing personnel. In 1978, 944 courses were given for some 8,530 workers, meaning a total of 267,452 hours of training.

Concerning investments scheduled for this year, the enterprise mentioned the continuation of explorations in assigned areas and new areas as well. A detailed seismographic survey will be made north of Lake Maracaibo and an aeromagnetic study will be made of the eastern region of the country, including the continental shelf north of Paria, the Gulf of Paria and the Orinoco Delta. Explorations will be begun in the Orinoco Oil Belt in southern Monagas with a program for the drilling of 16 wells.

The intense work program for 1979 includes the drilling of some 400 development wells, a 50-percent increase over the 1977 figure, and the repair of another 650 wells. In addition, experimental steam injection programs will be undertaken in mid 1980 in Jobo and Cerro Negro in southern Monagas. This will be part of the effort to obtain information for the future working of the Orinoco Oil Belt.

With respect to the technological assistance agreement with Exxon which expires this year, the enterprise emphasized the good use of services offered. The company also said that it had stepped up its contacts with other specialized companies so as to diversify its sources of technological support.

Regarding the domestic market, the activity report states that a new boost has been given to the program for the construction and modernization of service stations and improvements in distribution plants begun in 1978.

It also mentions the establishment of training centers in Caracas and Maracaibo for service station personnel, the interconnection of the LAGOVEN and MARAVEN terminals in Catia La Mar and the beginning of a project for the alternate supply of oil products for the metropolitan area.

MARAVEN Production Potential

Caracas EL UNIVERSAL in Spanish 9 Jul 79 p 5

[Text] At the close of 1978, the production potential of oil deposits being worked by MARAVEN, subsidiary of the Venezuelan Petroleum Company, was set at 600,000 barrels per day.

For that period of time, average production of MARAVEN was 538,000 barrels per day, according to the 1978 Annual Report recently released by the company.

This production average -- equal to that obtained in 1977 -- included 274,000 barrels of medium- and lightweight crude oil, while the remaining 264,000 barrels were made up of heavy and extraheavy crude oil.

The gas plants operated by MARAVEN in Lake Maracaibo yielded a daily average of 5,600 barrels of liquified natural gas.

Drilling

In 1978, the enterprise completed a drilling program that included five times the amount of work done the previous year. The well repair program was three times greater than that of the preceding year.

A total of 199 wells are being drilled in the areas assigned to the enterprise, both on land and in Lake Maracaibo itself. Major repair work is underway on 106 oil wells.

Out of all the wells drilled last year, 180 are awaiting the classification "development," while 7 are "exploratory," 10 are "advanced" and 2 correspond to steam injection sites.

Dredging of Miranda Port

By the end of last year, dredging work on the Miranda Port (eastern shore of Lake Maracaibo) was considered to be 80-percent complete. With the completion of these projects, it will be possible in the future for port facilities to accommodate tankers having up to 120,000 metric tons dead weight.

Repair and expansion projects were also completed at the La Coloncha, Punta de Piedras and San Lorenzo ports. Bachaquero now has improved port facilities and can handle freighters of up to 30,000 metric tons carrying materials and equipment needed to expand the activities of the company's Production Operations Division.

Miranda continues to be the port from which most of Venezuela's oil is exported. Last year, 610 vessels, including a tanker with 110,000 metric tons dead weight, left from the port.

The total amount of crude oil handled in 1978 was 245,415,000 barrels, of which 113,515,000 barrels went to the Cardon Refinery. Some 131.9 million barrels of crude oil and liquid gas products were exported.

Last year, the company waged an effective campaign to maintain its 2,500 kilometers of oil, gas and multipurpose pipelines.

PETROVEN Balance Sheet

Caracas EL UNIVERSAL in Spanish 7 Jul 79 p 15

[Text] An examination of the consolidated balance sheet of the Venezuelan Petroleum Company allows one to see the enterprise's great financial stability and note that all of its investment programs will be backed by the certainty of having sufficient resources generated by the industry itself in order to cover the financial demands of the industry's programs and projects.

By the end of last year, despite the fact that it was a year of limited income -- due to a certain drop in international oil prices and a substantial reduction in the volume of exports -- revenue used by the company far exceeded 6.2 billion bolivars. The total amount of assets, which at the close of 1977 was 27,053,800,000 bolivars, rose to 35,955,050,000 bolivars at the end of 1978, with an increase of over 8.9 billion bolivars.

The balance sheet shows that by the end of 1978, in addition to cash assets in circulation amounting to 209.23 million bolivars, the company had fixed term deposits amounting to 8,859,810,000 bolivars, national public debt bonds amounting to 147.22 million and commercial paper for collection totaling 8,669,290,000 bolivars, which constitutes an overall sum of 17,885,560,000 bolivars.

According to the Venezuelan Petroleum Company, the industry's net consolidated earnings in 1978 amounted to 6,221,000,000 bolivars, compared with the figure of 7,805,000,000 bolivars in 1977. The drop of 1,584,000,000 bolivars mainly resulted from a 5-percent decrease in the value of export sales due to the combined effect of a 4-percent reduction in the average export price, which went from \$12.54 per barrel in 1977 to \$12.04 per barrel in 1978, and a 1-percent drop in the volume of exports.

The \$.50-drop in the average export price resulted in the depressed state of the market for crude oil and heavy fuels during the first part of the year and the fact that in 1978, the proportion of these crude oils and products to total exports was greater than in 1977.

Total taxes, including royalties and income tax, dropped by 1,276,000,000 bolivars in 1978 due to the smaller volume and lower quality of hydrocarbons produced and exported and by 550 million bolivars due to the increase in costs and expenditures. The increase in costs and expenditures reflects a substantial increase in activities such as exploration, well repair, secondary recovery and preparations for the major investment programs underway. In this connection, industry personnel rose by 1,995 workers during the year 1978.

The nation's participation, made up of the income tax and royalties, the industry's earnings and the technical assistance enterprises' (estimated) income tax, amounted to 31,259,000,000 bolivars, compared with 34,703,000,000 in 1977. In 1977, the nation's participation per barrel produced reached a record level of 41.12 bolivars. That figure dropped to 38.49 bolivars in 1978.

In 1978, the necessary financial planning was carried out in order to comply with the program to rationalize the oil industry, the objective of which was to reduce the number of oil subsidiaries to only four by 1 January 1979. This process was completed satisfactorily. The Venezuelan Petroleum Company assumed responsibility for the petrochemical industry during the year upon receiving the stock of the Venezuelan Petrochemical Enterprise. This enterprise was incorporated into the financial and planning systems of the parent company.

In addition, the policy of investing the industry's available funds was continued, always taking the security, liquidity and yield of those investments into account.

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PETROVEN DOMESTIC PURCHASE ESTIMATES RELEASED

Caracas EL NACIONAL in Spanish 16 Jul 79 p D-2

[Text] The Venezuelan petroleum industry has come up with new estimates as to what it will be able to buy in Venezuela during this year, indicating a total of 1.8 billion bolivares for domestic products.

This information was supplied by Gen Rafael Alfonso Ravard, president of Venezuelan Petroleum, through the corporation's public relations office; it was explained that the industry's total purchases are divided into three categories: Those items which are purchased locally and which are produced domestically, those items which are purchased locally but are imported, and those items which are imported directly.

"What we invested in the first two categories here has been increasing since 1976, when we made purchases worth 1.2 billion bolivares, up to 3.6 billions spent in 1978. Last year we purchased 40 percent goods manufactured in the country. And the estimate for 1979 regarding direct purchases abroad came to a total of 50 percent."

He pointed out that he considered 40 percent of purchases based on local manufacturing in an industry as complex as the petroleum industry to be a rather high percentage and that the target was to increase purchases during the years immediately ahead to 60 or 70 percent.

He recalled that, due to the type of operations carried out in the petroleum industry, it is necessary to use first-grade materials to protect the installations and the lives of the workers.

"We must map specific purchasing strategies for critical categories as in the case of pipes, catalysts, lead tetraethyl, and other products which we acquire in large quantities. We must sign long-term contracts and the product must be subjected to quality control from the moment it is manufactured until it is shipped and delivered. We must exercise administrative control to guarantee purity, clarity, and honesty in negotiations."

He noted that, for the past 2 years, the coordination of materials by Venezuelan Petroleum has pursued the policy of increasing the percentage of domestically produced investment purchases. He announced that Lagoven

has just assigned a tugboat, built in Maracaibo, to its operations on Lake Maracaibo. He noted that a program for the evaluation of various domestically produced items is being carried out through INTEVEP and with the collaboration of Covenin, so as to guide these establishments in the production of goods that will meet the requirements of the petroleum industry.

Regarding the refining pattern change program, General Ravard said that the petroleum affiliates are making purchases worth 1.515 billion bolivares at Carpoven and Lagoven only, of which about 598 million bolivares can be transacted locally.

In conclusion he stated that the domestic petroleum industry's concern regarding the continuous and progressive utilization of domestic products of all kinds is not something accidental, nor temporary, intended as some kind of eyewash. Instead, this is an objective which is in keeping with the basic idea of contributing to the country's industrialization process through its participation in the evaluation of and subsequent technical assistance for the manufacturing capacity which exists in Venezuela to supply the petroleum industry.

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CSO: 3010

OIL FOUND, NEW WELLS DRILLED, WELLS REACTIVATED

Medium Crude in Maracaibo

Caracas EL UNIVERSAL in Spanish 4 Jul 79 p 19

[Text] Venezuelan Petroleum yesterday announced that its affiliate Corpoven S.A. made an important discovery of medium-weight petroleum in the formations of the Cretaceous, in the Urdaneta district, southwest of Maracaibo, by drilling an exploratory well, numbered 23-15-IX.

Initial production tests on this well revealed an output capacity of 5,000 barrels of crude per day with a gravity index of 24.3 degrees API.

The results of this well, according to PDVSA [Venezuelan Petroleum, Inc.] are indicative of the possibility of gigantic reserves of medium-weight petroleum in the Cretaceous limestone in the west-central region of Zulia.

The exploratory effort, being made on land, has also yielded good results for the Lagoven affiliate in Alturitas and for Corpoven in the vicinity of Boscan, both located on the western shore of Lake Maracaibo which constitutes a very promising area.

In commenting on these discoveries, Gen Rafael Alfonzo Ravard, president of Venezuelan Petroleum, said that the affiliated enterprises develop an intensive exploratory program the moment the parent company receives authorization from the Ministry of Energy and Mines to explore in areas adjacent to or outside of the assigned sections for old concessions. In the beginning, about 18 months ago, this effort was confined to assembling the method, personnel, and equipment necessary.

General Alfonzo announced that the following were drilled in the Maracaibo basin, excluding the lake as such: One well in 1976, four in 1978, while seven were drilled in 1979, all of them in the Cretaceous. In Lake Maracaibo, in the water, 16 wells were drilled in 1976, 18 in 1977, 17 in 1978, and another 17 in 1979, all with a depth of more than 14,000 feet, equivalent to about 5,000 meters of depth. Exploratory drilling throughout the country at depths in excess of 14,000 feet included a total of 95 wells during the first 3 years after nationalization and 31 were drilled in 1979.

The president of the parent company of the petroleum industry added that the initial offshore exploratory effort made it possible better to define the geological structures and the seismographic data available earlier. Thus, positive results were obtained due to the discovery of a gas deposit in Patao, in the country's eastern part. The importance of this deposit springs from the confirmation of the existence of hydrocarbon structures; this is tied in with efforts made earlier in other parts of the Venezuelan coast and along the Caribbean, adjacent to the Island of Trinidad. Confirmation was also obtained for some of the structures which had been found in La Vela Cove, along the coast of the State of Falcon.

General Alfonso pointed out that offshore exploratory drilling was so designed that an orientation phase would first be carried out in order then immediately to go into another drilling phase which would be more aggressive and intensive. Initially, this drive was not intended to lead to any immediate petroleum output because making an offshore discovery and getting it into production is a process that can take up to six years, while the discovery is defined in quantitative terms, while the plans have to be drawn up, while the pipelines are built, and until the hydrocarbon is finally brought to land or to the port of embarkation.

Seven offshore wells were drilled in 1978 and eight were drilled in 1979. General Alfonso subscribed to the opinion advanced by engineers to the effect that what has been found so far on the continental shelf in the northern part of South America is gas, which indicates that these are very young provinces. The gas was found in a condensed state and hydrocarbon ratings equal to those existing southeast of Trinidad were found, although the experts believe that these are exceptions to the rule.

"The evidence of hydrocarbons which we are finding," he added "reveals a possible presence of gaseous hydrocarbons. Thus, the location of accumulations of liquid hydrocarbons offshore requires infinitely more information than can be made available to exploration engineers during this initial drilling program.

Wells Drilled in Orinoco

Caracas EL NACIONAL in Spanish 16 July 79 p D-19

[Text] The Ministry of Energy and Mines has given the Lagoven enterprise, which is operating in this oilfield in the south of Monagas, the green light for an exploratory program in the Orinoco strip located within one of the biggest areas of this enormous petroleum reservoir, the Cerro Negro.

An authorized source in the petroleum industry said that the Lagoven company will soon launch an exploratory program involving 16 wells.

Now that authorization has been obtained from the Ministry of Energy and Mines, all that remains to be done is to start the drilling in this strip.

Lagoven has already drilled four evaluation wells in Cerro Negro.

"There is abundant petroleum," said an engineer here.

He indicated that Lagoven has its production program ready on the basis of continuous steam injection into the deposits.

Those programs are ready in Cerro Negro and Jobo.

Reactivation in Orocual Field

Caracas EL NACIONAL in Spanish 16 Jul 79 p D-27

[Text] Reactivating this old field is one of the goals of the Corpoven enterprise and the prospects for attaining this goal are "optimum," according to industry experts.

"Several wells, which had been sealed, are being repaired and the output rate obtained is good."

"Are many barrels going to be recovered?"

"We have already gotten more than 2,000."

Orocual started out as a Shell field and was then sold to an operating company created for this purpose, the Orocual Petroleum Company, which was then seized and the concessions reverted to the nation; after that they were turned over to CVP [Venezuelan Petroleum Corporation] together with the pertinent field.

"Corpoven received it in connection with integration and operated it and it is now busy reactivating it."

The field, a huge gas reservoir, is 20 kilometers north of Maturin.

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VENEZUELA

BRIEFS

MARAVEN EXPORTS--In 1978, MARAVEN sold more of its production to customers in Central America and the Caribbean than to other areas of the world market. According to Alberto Quiroz, president of the company, a total of 620,000 barrels of crude oil and refined products were sold. Some 211,000 barrels were sold to North American customers, while 227,000 barrels went to Central America and the Caribbean, 118,000 barrels went to Europe, 42,000 barrels were sold to South America and another 22,000 barrels went to other customers. The average of 620,000 barrels of crude oil and refined products sold in 1978 is slightly higher than the 1977 figure. Moreover, 36 percent of MARAVEN's exports included refined products. [Text] [Caracas EL NACIONAL in Spanish 2 Jul 79 p D-19] 11,464

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